Supreme Court, U.S.
FILED
MAY 9

No. 86-870

IN THE
Supreme Court of the United States
October Term, 1986

PHILLIPS PETROLEUM COMPANY and
CINQUE BAMBINI PARTNERSHIP,
Petitioners,

v.

STATE OF MISSISSIPPI and
SAGA PETROLEUM, U.S., INC.,
Respondents.

On Writ of Certiorari to the Supreme Court of Mississippi

JOINT APPENDIX

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PETITION FOR CERTIORARI FILED NOVEMBER 28, 1986
CERTIORARI GRANTED FEBRUARY 23, 1987

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Feb. 23, 1979	Appearance and Separate Answer of Phillips Petroleum Company.
Apr. 3, 1979	Answer of defendant Mississippi State Highway Commission.
June 7, 1979	General Demurrer.
July 9, 1979	Findings and Rulings of the Court.
July 24, 1979	Order overruling demurrers.
Nov. 13, 1979	Answer of defendants, State of Mississippi.
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April 28, 1982	Findings and Ruling of the Chancery Court.
Sept. 16, 1982	Final Judgment and Decree of Chancery Court.
Jan. 9, 1984	Appeal filed in Supreme Court of Mississippi, together with 20 volumes of the record.
Sept. 27, 1984	Oral argument before Supreme Court of Mississippi.
May 14, 1986	Opinion of Mississippi Supreme Court rendered, affirming in part, reversing in part, and remanding.

May 14, 1986	Judgment of Mississippi Supreme Court entered on Minute Book.
July 30, 1986	Petition for Rehearing denied; original opinion modified.
Aug. 1, 1986	Mandate issued.
Dec. 12, 1986	Notice of Filing Petition for Writ of Certiorari in Supreme Court of the United States, received from Joseph F. Spaniol, Jr., Clerk.

IN THE CHANCERY COURT OF HANCOCK COUNTY, MISSISSIPPI

CINQUE BAMBINI PARTNERSHIP CARROLL W. ALLEN, LYDIA CARROLL HAMILTON ALLEN, HARRY B. KELLEHER, SPOONER PETROLEUM COMPANY and ENSERCH EXPLORATION, INC. — COMPLAINANTS

NO. 14,178

VS.

STATE OF MISSISSIPPI, ET AL. — DEFENDANTS

BILL TO QUIET AND CONFIRM TITLE AND TO CANCEL CLOUDS ON TITLE

COMES NOW the Cinque Bambini Partnership, Carroll W. Allen, Jr., Lydia Carroll Hamilton Allen, Harry B. Kelleher, Spooner Petroleum Company and Enserch Exploration, Inc., and bring this their Bill to Quiet and Confirm Title and to Cancel Clouds on Title. The defendants are The State of Mississippi, Saga Petroleum United States Inc., and others who are identified subsequently. In support of this Bill the Complainants state the following:

COMPLAINANTS

1. The Complainant, Cinque Bambini Partnership, hereinafter referred to as Bambini, is a general partnership, established pursuant to Mississippi law. Said partnership is composed of five genral partners: Evelyn Crump Johnson, Helen Crump Cutler, Joseph R. Crump, Armand B. Crump and Donald E. Crump. It owns and manages real property in Hancock County, Mississippi.

2. Carroll W. Allen, Jr. is an adult resident citizen of Hancock County, Mississippi. His sister, Lydia Carroll

Hamilton Allen, is an adult resident citizen of New Orleans, Louisiana. Carroll and Lydia Allen are hereinafter sometimes collectively referred to as "the Allens."

3. Harry B. Kelleher, hereinafter referred to as Kelleher, is an adult resident citizen of New Orleans, Louisiana who owns and maintains real property in Hancock County, Mississippi.

4. Spooner Petroleum Company, hereinafter referred to as "Spooner," is a limited partnership, organized and existing pursuant to the laws of the State of Mississippi.

5. Enserch Exploration, Inc., is a foreign corporation duly qualified to do business, and doing business, in the State of Mississippi.

DEFENDANTS

6. The State of Mississippi is a state created by Act of Congress in 1817. It can be served with process by service upon the Honorable A.F. Summer, Attorney General of the State of Mississippi, at his office in the Carroll Gartin Justice Building, Jackson, Mississippi.

7. Saga Petroleum United States Inc., hereinafter sometimes referred to as Saga, is a foreign corporation which is doing business in the State of Mississippi and which is qualified to do business in the State of Mississippi. Its resident agent for service of process is C.T. Corporation System, 118 North Congress Street, Jackson, Mississippi, 39205.

8. Marshall R. Young Oil Company is a foreign corporation which is doing business in the State of Mississippi and which is qualified to do business in the State of Mississippi. Its resident agent for service of process is C.T. Corporation System, 118 North Congress Street, Jackson, Mississippi, 39205.

9. Public Service Company of Oklahoma, is an Oklahoma corporation which is doing business in the State of Mississippi and which is qualified to do business in the State of Mississippi. Its resident agent for service of process is C.T. Corporation System, 118 North Congress Street, Jackson, Mississippi, 39205.

10. Varibus Corporation, is a Texas corporation which is doing business in the State of Mississippi and which is qualified to do business in the State of Mississippi. Its resident agent for service of process is C.T. Corporation System, 118 North Congress Street, Jackson, Mississippi, 39205.

11. Elliott Davis, as trustee of the Elliott Davis mineral trust. Elliott Davis is a non-resident of the State of Mississippi. He is a resident of the State of Oklahoma. His post office and street address is 4444 S. Zunis, Tulsa, Oklahoma.

12. Barry M. Davis, as trustee of the Barry M. Davis Revocable Trust. He is a non-resident of the State of Mississippi. His post office and street address is 2514 South Terwilliger, Tulsa, Oklahoma.

13. Lee H. Davis, as trustee of the Lee H. Davis Revocable Trust. He is a non-resident of the State of Mississippi. His post office and street address is 2230 East 37th Street, Tulsa, Oklahoma.

14. Sagapart U.S. Inc., is a Delaware corporation which is doing business in the State of Mississippi and which is qualified to do business in the State of Mississippi. Its resident agent for service of process is C.T. Corporation System, 118 North Congress Street, Jackson, Mississippi, 39205.

15. Union Oil Company of California, hereinafter sometimes referred to as Union, is a foreign corporation which is doing business in the State of Mississippi and which is qualified to do business in the State of Mississippi. Its resident agent for service of process is C.T. Corporation System, 118 North Congress Street, Jackson, Mississippi 39205. This part is joined as a necessary, proper and interested party as is more specifically set out subsequently. The Complainants make no claim against this party, but allege that its leasehold rights may be affected by this suit.

16. Phillips Petroleum Company, hereinafter sometimes referred to as Phillips, is a foreign corporation which is doing business in the State of Mississippi and which is qualified to do business in the State of Mississippi. Its resident agent for service of process is U.S. Corporation Company, 616 Unifirst Federal Building, Jackson, Mississippi. This party is joined as a necesssary, proper and interested party as is more specifically set out subsequently. The Complainants make no claim against this party, but allege that its leasehold rights may be affected by this suit.

17. Mississippi Power Company is a Mississippi Utility Company which is licensed to do business in Mississippi and whose agent for service of process is W.L. Wilson, 2992 West Beach, Gulfport, Mississippi. This defendant is joined as a necessary proper and interested party as is more specifically set out in Exhibit B, ¶ 68, page 24; and on Exhibit C. The complainants make no claim against this party, but allege that its interests may be affected by this suit.

18. Hancock County, is a body corporate and politic which may be served with process by service upon the Honorable A.F. Summer, Attorney General of the State

of Mississippi, at his office in the Carroll Gartin Justice Building, Jackson, Mississippi. This defendant is joined as a necessary proper and interested party as is more specifically set out on Exhibit C hereto. The complainants make no claim against this party, but allege that its interests may be affected by this suit.

19. Defendant Wesley Haas is a resident citizen of Hancock County, Mississippi, who may be served with process at Kiln Supermarket, Kiln, Mississippi. This defendant is joined as a necessary proper and interested party. The complainants make no claim against this party but allege that his interest in an unrecorded lease of Bambini crop land on the subject real property may be affected by this suit.

20. James Travirca, is a resident citizen of Hancock County, Mississippi, who may be served with process at Fenton Road, Kiln, Mississippi. This defendant is joined as a necesary proper and interested party. The complainants make no claim against this party but allege that his interest in an unrecorded lease of Bambini crop land on the subject real property may be affected by this suit.

21. Kent Dawerstreet, is a resident cititzen of Hancock County, Mississippi, who may be served with process at his home which is located on Route 3 at Holly Bluff in Hancock County, Mississippi. This defendant is joined as a necessary proper and interested party in that he leases from Bambini a house which is located on the subject real property. No claim is made against this defendant.

22. Mr. and Mrs. Bruce Woods, resident citizens of Hancock County, Mississippi, may be served with process at their home located at Route 3, Holly Bluff in Hancock County, Mississippi. These defendants are joined as a necessary proper and interested parties in that they lesae

from Bambini a house which is located on the subject real property. No claim is made against this defendant.

23. Melvin Wainwright, a resident citizen of Hancock County, Mississippi, may be served with process at his home which is known as the Bayou La Croix House, Hancock County, Mississippi. This defendant is joined as a necessary proper and interested party in that he leases from Bambini a house which is located on the subject real property. No claim is made against this defendant.

24. Coast Materials Company may be served with process by service of process upon J.F. Boardman, 2809 19th Street, Gulfport, Mississippi. This defendant is joined as a necessary proper and interested party as a surface lessee of the Bambini partnership. No claim is made against this defendant.

25. South Central Bell Telephone Company, which is the successor to Southern Bell Telephone and Telegraph Company, may be served with process by service upon Roger M. Flynt, Jr., 248 East Capitol Street, Jackson, Mississippi. This defendant is joined as a necessary proper and interested party as is more specifically set out on Exhibit C hereto. The complainants make no claim against this party, but allege that its interests may be affected by this suit.

26. Mississippi State Highway Commission is a body corporate and politic which may be served with process by service upon the Honorable A.F. Summer, Attorney General of the State of Mississippi at his office in the Carroll Gartin Justice Building, Jackson, Mississippi. This defendant is joined as a necessary proper and interested party as is more specifically set out on Exhibit C hereto. The complainants make no claim against this party, but allege that its interests may be affected by this suit.

27. Though after diligent search and inquiry, the Complainants know of no other claimants, any and all other parties who have a claim against the subject property whether legal or equitable, are hereby made defendants.

TITLE AND DERAIGNMENT

28. The real property which is the subject of this suit is owned by and is in the exclusive possession of the complainants Bambini, Kelleher, and the Allens as is more specifically stated in paragraph 29 and subject only to the interests of certain other parties as is specifically stated in paragraph 29. The subject real property is that tract of land located in Hancock County, Mississippi, Township 8 South, Range 14 Weste, which is composed of the following parcels:

A. Fractional Section 5, lots 1, 2, 3 and 4.

B. John J. Jourdan Claim No. 23.

C. Lots 3, 4 and 5 of the Fractional Section 4, less and except that tract of land described as follows:

> Begin at a point where the lot line between lots 1 and 2 of the private division of the John J. Jourdan claim No. 23 intersects the east line of that claim (said line between lots 1 and 2 being 27.55 chains north of and parallel to a line connecting the south line of fractional sections 4 and 5) thence running north 13° west 1080' along the claim line, thence east 750' more or less to the west bank of the Jordan River, thence southwesterly along the western bank of the river to a poitn 300' more or less due east of the point of beginning, thence west 300' more or less to the point of beginning.

D. Lots 4 and 5, section 9.

E. All that part of Noel Jourdan Claim No. 28, north of Bayou La Croix.

F. All that part of the John J. Jourdan Claim No. 8 (sometimes referred to as No. 3) lying east of the Bay-Kiln Road.

G. All that part of Pierre Carco Claim No. 25 lying east of the Bay-Kiln Road, less and except the following described parcel: Begin at a stake on the section line between Sections 19 and 20, Township 8 North, Range 14 West, which is 40 chains and 9 links South of the common corner of Sections 18, 17, 19 and 20; thence South 67° West 240 feet; thence South 23° East 228 feet; thence North 67° East 142 feet to the section line between Sections 19 and 20; thence North on the section line to the point of beginning.

H. Lot 1, that part of Lot 2 lying East of the Bay-Kiln Road, S ½ of Lot 3, and that part of the S ½ of Lot 4 lying East of the Bay-Kiln Road, Section 8.

The subject of real property is also defined by the boundary indicated on the plat attached hereto as Exhibit A and incorporated herein by reference.

29. As is stated in detail in the deraignment of title Exhibit B hereto:

A. The complainant Bambini owns the surface and an undivided ½ mineral interest in the subject real property, less and except that estate owned by the complainant Kelleher and the surface estate owned by the Mississippi Power Company and subject to the oil, gas and mineral leases described in sub-paragraphs D, E and F, the surface easements and right-of-ways identified on Exhibit C attached hereto, those surface leases referenced in paragraphs 19-24 above, and the declarations of pooling described on Exhibit D attached hereto and incorporated by

reference. That surface estate owned by Mississippi Power Company is described as follows:

> Commence at the Northeast corner of the Pierre Carco Claim No. 25 and run South 75° 14' West 397.9 feet to an iron rod for the point of beginning; thence running South 12° 54' East 300 feet to an iron rod; thence South 77° 06' West to an iron rod in the East boundary of the Bay-Kiln Road; thence along said road North 6° 49' East 236.8 feet; thence continuing along said road North 10° 14' East 84.4 feet to an iron rod; thence North 77° 06' East 300 feet, more or less, to the point of beginning, containing 2.45 acres, more or less.

B. The complainant Kelleher owns the surface and an undivided ½ mineral interest in that part of the subject real property described as follows:

> that tract of land comprising part of the John J. Jourdan Claim No. 23 and part of Section 4 described as follows:
>
> Beginning at an iron stake set 23 feet North of the corner of Sections $\frac{5}{8}\ \frac{4}{9}$, of Township 8 S. Range 14 W., (said section corner also being the upper northwest corner of the Noel Jourdan Claim); thence running N. 52° W. 642 feet to an iron stake set on the eastern line of the public road; thence northerly along said road 2050 feet, more or less, to fork of roads; thence easterly along the southern line of the right fork of said road 910 feet, more or less, to the eastern line of the J.J. Jourdan Claim; thence along said claim line S. 12° E. 523 feet to an iron stake set for the southwest corner of land of Birghenti, where the line between Lots 1 & 2 of the division of John J.

Jourdan Claim intersects said claim line; thence east 300 feet, more or less, to the East bank of Jourdan River; thence southerly, along the meanderings of said river to a point 23 feet North of the section line between Sections 4 & 9; thence West to the place of beginning. Being a part of the J.J. Jourdan Claim and a part of Lot No. 5 of Fractional Section 4; all in Township 8 S. Range 14 West in Hancock County, Mississippi; less and except that 1.83 acre tract described as follows:

Beginning at an iron stake set 23 feet North of the corner of Sections 5, 4, 8 and 9 of Township 8 South, Range 14 West (said section corner also being the upper northwest corner of the Noel Jourdan claim); thence running North 52° West 510.3 feet to an iron stake for a fence corner; thence running South 75° 10' East 434.9 feet along the fence to an iron stake set at an angle in the fence; thence running South 59° 40' East 400.2 feet along the fence to an iron stake at a fence corner; thence running West 363.4 feet to the point of beginning.

Said estate is subject to the oil, gas and mineral lease described in subparagraph H, the easements and right-of-ways identified on Exhibit C, and the declarations of pooling described on Exhibit D.

C. The complainants, the Allens, collectively own an undivided ½ mineral interest, with each individually owning an undivided ¼ mineral interest, in all of the subject real property, subject to the oil, gas and mineral lease described in subparagraph D and the easements and right-of-ways identified on Exhibit C, and the declarations of pooling described on Exhibit D.

D. Enserch Exploration, Inc., successor in title to Lonestar Producing Company, has a leasehold interest in the oil, gas and minerals owned by the Allens in the subject real propety. Said estate being established by that oil, gas and mineral lease dated July 13, 1972 and recorded in Oil and Gas Book 23 page 297 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi. Its interest is subject to the declarations of pooling described on Exhibit D.

E. Union Oil Company of California has a leasehold interest in the oil, gas and minerals owned by Bambini in the subject real property which lies north of a line joining the south boundary of Fractional Section 5 and the south boundary of Fractional Section 4, but subject to that assignment described in subparagraph F; said estate was established by that oil, gas and mineral lease dated March 15, 1976 and recorded in Oil and Gas Book 30, pages 60, 67 and 76 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi. Its interest is subject to the declarations of pooling described on Exhibit D.

F. Phillips Petroleum Company has a 50% leasehold interest in the oil, gas and minerals leased by Union as described in subparagraph E above. Said estate was established by an assignment of a ½ interest in the said Union lease. This assignment is dated March 30, 1977 and is recorded in Oil and Gas Book 32 at page 106 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi. Its interest is subject to the declarations of pooling described on Exhibit D.

G. Spooner Petroleum Company has a leasehold interest in the oil, gas and minerals owned by Bambini in the subject real property lying south of a line joining the south boundary of Fractional Section 5 and the south boundary

of Fractional Section 4. Said estate was established by that oil, gas and mineral lease dated June 3, 1977 and recorded in Oil and Gas Book 31 at page 359 and re-recorded in Oil and Gas Book 31 at page 434 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi. Its interest is subject to the declarations of pooling described on Exhibit D.

H. Spooner Petroleum Company also has a leasehold interest in the oil, gas and minerals owned by Kelleher in the subject real property. Said estate was established by that oil, gas and mineral lease dated July 6, 1977, and recorded in Oil and Gas Book 32 at page 450 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi. Its interest is subject to the declaration of pooling described on Exhibit D.

I. There are certain surface easements and right of ways across the subject real property which are specifically identified on Exhibit C to the complaint which is incorporated herein by reference.

J. There are certain unrecorded surface leases in effect between Bambini, the lessor, and the defendant lessees identified in paragraphs 19-24 above.

30. The Complainants specifically deraign their title to the said property on Exhibit B attached hereto and incorporated herein by reference. As shown on Exhibit B, the title to all of the subject property passed from the sovereign as follows:

A. Prior to becoming a part of the Mississippi Territory of the United States, the subject property was under the dominion of the Spanish government and a part of West Florida. Considering these lands as a part of the colony of Louisiana and, thus, conveyed by the treaty concluded at

Paris on the 30th day of April, 1803, the United States annexed to the Mississippi Territory the lands lying south of thirty-first degree latitutde, by act of Congress dated May 14, 1812, entitled "An act to enlarge the boundries of the Mississippi Territory." The United States occupied the lands south of the thirty-first degree latitude pursuant to an act of Congress dated February 12, 1813, entitled "An Act authorizing the President of the United States to take possession of a tract of country lying south of the Mississippi Territory and west of the river Perdido."

B. The State of Mississippi was created from the western part of the Mississippi Territory, which included the subject lands, by an act of Congress dated March 1, 1817, entitled "An Act to enable the people of the western part of the Mississippi Territory to form a constitution and State government, and for the admission of such State into the Union, on an equal footing with the original States." By this act all unappropriated lands within the territory remained "at the sole and entire disposition of the United States."

C. John J. Jourdan, Noel Jourdan and Pierre Carco settled and claimed parts of the subject property prior to April 15, 1813, while these lands were under Spanish government. Pursuant to the provisions of an act of Congress dated March 3, 1819, entitled "An Act for adjusting the claims to land, and establishing land offices, in the districts east of the island of New Orleans," Noel Jourdan, John J. Jourdan and Pierre Carco presented their respective land claims and these claims were duly surveyed. The John J. Jourdan Claim No. 23, the Noel Jourdan Claim No. 28 and the Pierre Carco Claim No. 25 were confirmed by act of Congress dated May 8, 1822, entitled "An Act supplementary to the several acts for adjusting the claims to land, and establishing land offices, in the districts east of the island of New Orleans." The John J. Jourdan Claim

No. 8 (also referred to as Claim No. 3) was confirmed by act of Congress dated May 28, 1830, entitled "An Act to confirm certain claims to lands in the district of Jackson Courthouse, in the State of Mississippi." The United States subsequently issued patents on each of these claims.

D. Lots 1 and 2 of Section 8 were patented to individuals by the United States.

E. Lots 1, 2, 3 and 4 of Section 5; Lots 3, 4 and 5 of Section 4; Lots 4 and 5 of Section 9; and, Lots 3 and 4 of Section 8 were patented to the State of Mississippi and were patented to individuals by the State of Mississippi.

31. As is stated in detail and with specificity in the deraignment of title, Exhibit B hereto:

A. The title to the subject real property, both surface and minerals, through mesne conveyances, was vested in Dr. Carroll W. Allen during the years 1925 and 1926. Dr. Allen died on April 14, 1934 and by the terms of his will he devised 2/16 of the subject property to his sister Rose Allen Ellis and his brother Henry Martin Allen. The remainder of the subject property descended to his sole and only heirs at law, his children Lydia Carroll Hamilton Allen and Carrroll W. Allen, Jr., and his widow Lydia Fayers Freeman Allen. Subsequently, in 1936, Rose Allen Ellis and Henry Martin Allen, conveyed their interests to Dr. Allen's widow and children. Then in 1946, Mrs. Lydia Fayers Freeman Allen and her children, Lydia and Carroll Jr., conveyed in fee the subject property to James L. Crump, excepting and reserving a 1/2 interest in the oil, gas and minerals.

B. On July 25, 1947 James L. Crump conveyed a tract of land being a part of the J.J. Jourdan claim 23 and a part of Lot 5 of Fractional Section 4 to Harry B. Kelleher and on September 1, 1950 Harry B. Kelleher conveyed a

1.83 acre portion of said tract back to James L. Crump, leaving Kelleher with the surface estate and ½ the minerals in the remaining tract.

C. Mrs. Allen died during, or before, 1954 and under the terms of her last will and testament her interest in the minerals was devised to the complainants, Lydia Carroll Hamilton Allen and Carroll W. Allen, Jr. Thus, they became owners of ½ of the subject minerals each having a ¼ interest therein.

D. James L. Crump died testate on April 25, 1963. Through the terms of his will and the expiration of certain trust provisions the title to the subject property, with the exception of the Kelleher interest and the Allen minerals, became vested in Evelyn Crump Johnson, Helen Crump Cutler, Joseph R. Crump, Armand B. Crump and Donald E. Crump in 1971; and, then by warranty deed, they conveyed the property to the Cinque Bambini partnership on November 25, 1973.

E. Bambini, the Allens and Kelleher leased their minerals as specifically stated in paragraph 29 and on Exhibit B hereto.

32. In 1925 and 1926 when the said Carroll W. Allen acquired title to the subject real property as particularly set out on Exhibit B, he entered into the hostile, actual, open, notorious, exclusive, continuous and undisputed possession of the subject real property under deeds from Kate Posey Cutting on February 1, 1926, from Hillary H. Posey on March 10, 1926, and from R.J. Williams Land Company on December 31, 1925. He and his heirs and successors remained thereafter in the hostile, actual, open, notorious, exclusive, continuous, undisputed and peaceful possession of said land by building fences, building houses and other structures, farming, raising cattle, managing

and harvesting timber and otherwise claiming it against all the world, exercising every class and kind of ownership, use and occupancy of which the same was acceptable; and, they personally have so remained in exclusive possession and control under color of title as aforesaid until the present.

CLOUDS

33. The Mississippi Mineral Lease Commission, an agency of the State of Mississippi, acting for and on behalf of the State of Mississippi, on August 19, 1977, signed, sealed and delivered to Saga, four oil, gas and mineral leases in Township 8 South, Range 14 West of Hancock County, Mississippi, more particularly described as follows:

A. That lease recorded in Oil and Gas Book 32 page 575 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi, covering the following described acreage:

> All State-owned lands subject to the ebb and flow of the tide and which are below the watermark of ordinary (mean) high tide (both tidelands and submerged lands) in the following claims and/or sections, or portions thereof, estimated to comprise 568.15 acres:

TOWNSHIP 8 SOUTH, RANGE 14 WEST

Tract 1:	Sections 3, 4 and part of John J. Jourdan Claim 23 (said claim being also Section 23), which lies North of a line connecting the North line of Section 8 and the North line of Noel Jourdan Claim 28 (said claim being also Section 24).	568.15 acres

B. That lease recorded in Oil and Gas Book 32 page 577 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi, covering the following described acreage:

> All State-owned lands subject to the ebb and flow of the tide and which are below the water-mark of ordinary (mean) high tide (both tide-lands and submerged lands) in the following claims and/or sections, or portions thereof, estimated to comprise 238.57 acres:

TOWNSHIP 8 SOUTH, RANGE 14 WEST

Tract 2: Section 8, Noel Jourdan Claim 28 (said claim being also Section 24), that part of John J. Jourdan Claim 23 (said claim being also Section 23), which lies South of a straight line connecting the North line of Section 8 with the North line of Noel Jourdan Claim 28 (said claim also being Section 24), and that part of John J. Jourdan Claim 3 (said claim being also Section 17), which lies North of a straight line connecting the South line of Section 18 and the South line of Noel Jourdan Claim 28 (said claim being also Section 24). 238.57 acres

C. That lease recorded in Oil and Gas Book 32 page 579 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi, covering the following described acreage:

> All State-owned lands subject to the ebb and flow of the tide and which are below the water-

mark of ordinary (mean) high tide, (both tidelands and submerged lands) in the following claims and/or sections, or portions thereof, estimated to comprise 575.73 acres:

TOWNSHIP 8 SOUTH, RANGE 14 WEST

Tract 3: Sections 9, 10 and Noel Jourdan Claim 31. 575.73 acres

D. That lease recorded in Oil and Gas Book 32 page 585 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi, covering the following described acreage:

All State-owned lands subject to the ebb and flow of the tide and which are below the watermark of ordinary (mean) high tide (both tidelands and submerged lands) in the following claims and/or sections, or portions thereof, estimated to comprise 541.26 acres:

TOWNSHIP 8 SOUTH, RANGE 14 WEST

Tract 6: That part of John J. Jourdan Claim 3 (said claim being also Section 17), which lies South of a straight line connecting the South line of Section 18 and the South line of Noel Jourdan Claim 28 (said claim being also Section 24), and that part of Joseph Favre Claim 31 (said claim being also Section 40), which lies East of Four Dollar Bayou. 541.26 acres

Saga assigned a 50% interest in the foregoing leases to Marshall R. Young Oil Company on December 14, 1977. Said assignment is recorded in Oil and Gas Book 33 at page 192. According to an instrument of record in Han-

cock County Oil and Gas Book 36 page 279, it appears that, on or before January 10, 1978, Saga conveyed a portion of its interest in these leases to the defendants Public Service Company of Oklahoma; Varibus Corporation; Elliott Davis, as trustee of the Elliott Davis mineral trust; Barry M. Davis, as trsutee of the Barry M. Davis Revocable Trust; Lee H. Davis, as trustee of the Lee H. Davis Revocable Trust and Sagapart U.S. Inc.

E. The grant of the foregoing leases with the general descriptions set out therein and the general estimate of acreage provided on the face of them constitute an assertion of a claim or pretention to the title of complainants' to the subject real property as described in paragraph 16 above and exhibit A hereto. Said leases cast doubt and suspicion on the title of the complainants who are in exclusive possession and control of the subject real property and, who are the real owners. The granting of these leases, which are all filed of record in the land records of Hancock County, create serious and substantial clouds on the title of the complainants to the subject real property, as defined on exhibit A hereto, and in paragraph 27 above.

34. The complainants allege that the only parties having any valid title to or claim against the subject real property are those stated in paragraph 29 above.

PRAYER

35. The complainants pray that summons may issue to the defendants by service upon them personally or upon their agents for service of process as aforesaid, and that publication for the other defendants, if any, may be made as provided by law in such cases, requiring the said defendants to answer this Bill, but not under oath, answer under

oath being specifically waived, at the next regular term of this Court; and, that on the Final hearing that the Court shall order, adjudge, decree and confirm that:

A. The complainant Bambini owns the surface and an undivided ½ mineral interest in the subject real property, less and except that estate owned by the complainant Kelleher and the surface estate owned by the Mississippi Power Company and subject to the oil, gas and mineral leases described in sub-paragraphs D, E and F, the surface easements and right-of-ways identified on Exhibit C attached hereto, those surface leases identified in paragraphs 19-24 above and the declarations of pooling described on Exhibit D attached hereto. That surface estate owned by Mississippi Power Company is described as follows:

> Commence at the Northeast corner of the Pierre Carco Claim No. 25 and run South 75° 14' West 397.9 feet to an iron rod for the point of beginning; thence running South 12° 54' East 300 feet to an iron rod; thence South 77° 06' West to an iron rod in the East boundary of the Bay-Kiln Road; thence along said road North 6° 49' East 236.8 feet; thence continuing along said road North 10° 14' East 84.4 feet to an iron rod; thence North 77° 06' East 300 feet, more or less, to the point of beginning, containing 2.45 acres, more or less.

B. The complainant Kelleher owns the surface and an undivided ½ mineral interest in that part of the subject real property described as follows:

> that tract of land comprising part of the John J. Jourdan Claim No. 23 and part of Section 4 described as follows:

Beginning at an iron stake set 23 feet North of the corner of Sections $\frac{5\ 4}{8\ 9}$, of Township 8 S. Range 14 W., (said section corner also being the upper northwest corner of the Noel Jourdan Claim); thence running N. 52° W. 642 feet to an iron stake set on the eastern line of the public road; thence northerly along said road 2050 feet, more or less, to fork of roads; thence easterly along the southern line of the right fork of said road 910 feet, more or less, to the eastern line of the J.J. Jourdan Claim; thence along said claim line S. 12° E. 523 feet to an iron stake set for the southwest corner of land of Birghenti, where the line between Lots 1 & 2 of the division of John J. Jourdan Claim intersects said claim line; thence east 300 feet, more or less, to the East Bank of Jourdan River; thence southerly, along the meanderings of said river to a point 23 feet North of the section line between Sections 4 & 9; thence West to the place of beginning. Being a part of the J.J. Jourdan Claim and a part of Lot No. 5 of Fractional section 4; all in Township 8 S. Range 14 West in Hancock County, Mississippi; less and except that 1.83 acre tract described as follows:

Beginning at an iron stake set 23 feet North of the corner of Sections 5, 4, 8 and 9 of Township 8 South, Range 14 West (said section corner also being the upper northwest corner of the Noel Jourdan claim); thence running North 52° West 510.3 feet to an iron stake for a fence corner; thence running South 75° 10' East 434.9 feet along the fence to an iron stake set at an angle in the fence; thence running South 59° 40' East 400.2 feet along the fence to an iron stake at a

fence corner; thence running West 363.4 feet to the point of beginning.

Said estate is subject to the oil, gas and mineral lease described in subparagraph H and the easements and right-of-ways identified on Exhibit C, attached hereto.

C. The complainants, the Allens, collectively own an undivided ½ mineral interest, with each individual owning an undivided ¼ mineral interest, in all of the subject real property, subject to the oil, gas and mineral lease described in subparagraph D and the easements and right-of-ways identified on Exhibit C, attached hereto.

D. Enserch Exploration, Inc., successor in title to Lonestar Producing Company, has a leasehold interest in the oil, gas and minerals owned by the Allens in the subject real property. Said estate was established by that oil, gas and mineral lease dated July 13, 1972 and recorded in Oil and Gas Book 23 page 297 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi.

E. Union Oil Company of California has a leasehold interest in the oil, gas and minerals owned by Bambini in the subject real property which lies north of a line joining the south boundary of Fractional Section 5 and the south boundary of Fractional Section 4, but subject to that assignment described in subparagraph F. Said estate was established by that oil, gas and mineral lease dated March 15, 1976 and recorded in Oil and Gas Book 30, pages 60, 67 and 76 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi.

F. Phillips Petroleum Company has a 50% leasehold interest in the oil, gas and minerals leased by Union as described in subparagraph E above. Said estate was established by an assignment of a ½ interest in the said Union

lease. This assignment is dated March 30, 1977 and is recorded in Oil and Gas Book 32 at page 106 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi.

G. Spooner Petroleum Company has a leasehold interest in the oil, gas and minerals owned by Bambini in the subject real property lying south of a line joining the south boundary of Fractional Section 5 and the south boundary of Fractional Section 4. Said estate was established by that oil, gas and mineral lease dated June 3, 1977 and recorded in Oil and Gas Book 31 at page 359 and re-recorded in Oil and Gas Book 31 at page 434 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi.

H. Spooner Petroleum Company also has a leasehold interest in the oil, gas and minerals owned by Kelleher in the subject real property. Said estate was established by that oil, gas and mineral lease dated July 6, 1977, and recorded in Oil and Gas Book 32 at page 450 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi.

I. That there are certain surface easements and right-of-ways across the subject real property as specified in Exhibit C to the complaint.

J. That there are certain unrecorded surface leases in effect between Bambini, the lessor, and the defendant lessees identified in paragraphs 19-24 of the Complaint.

K. That the State of Mississippi's claims and pretentions to mineral rights in the subject real property are void, and specifically, the oil, gas and mineral leases described in paragraph 32 as being those recorded in Oil anbd Gas Book 32 at page 575; Book 32 page 577; Book 32 page 579 and Book 32 page 585 are void and of no effect

to the extent that they purport to lease any of the subject real property.

L. That there are no valid claims, whether legal or equitable, against the subject real property other than those specifically identified in subparagraphs A-J above. Any other claim constitutes a Cloud on the valid title of the complainants and is void and of no effect.

M. That costs of this action shall be assessed against the State of Mississippi.

Should complainants be mistaken in the relief requested then complainants pray for such other and more general relief as is appropriate in the premises.

Dated this the 30th day of November, 1978.

Respectfully submitted,

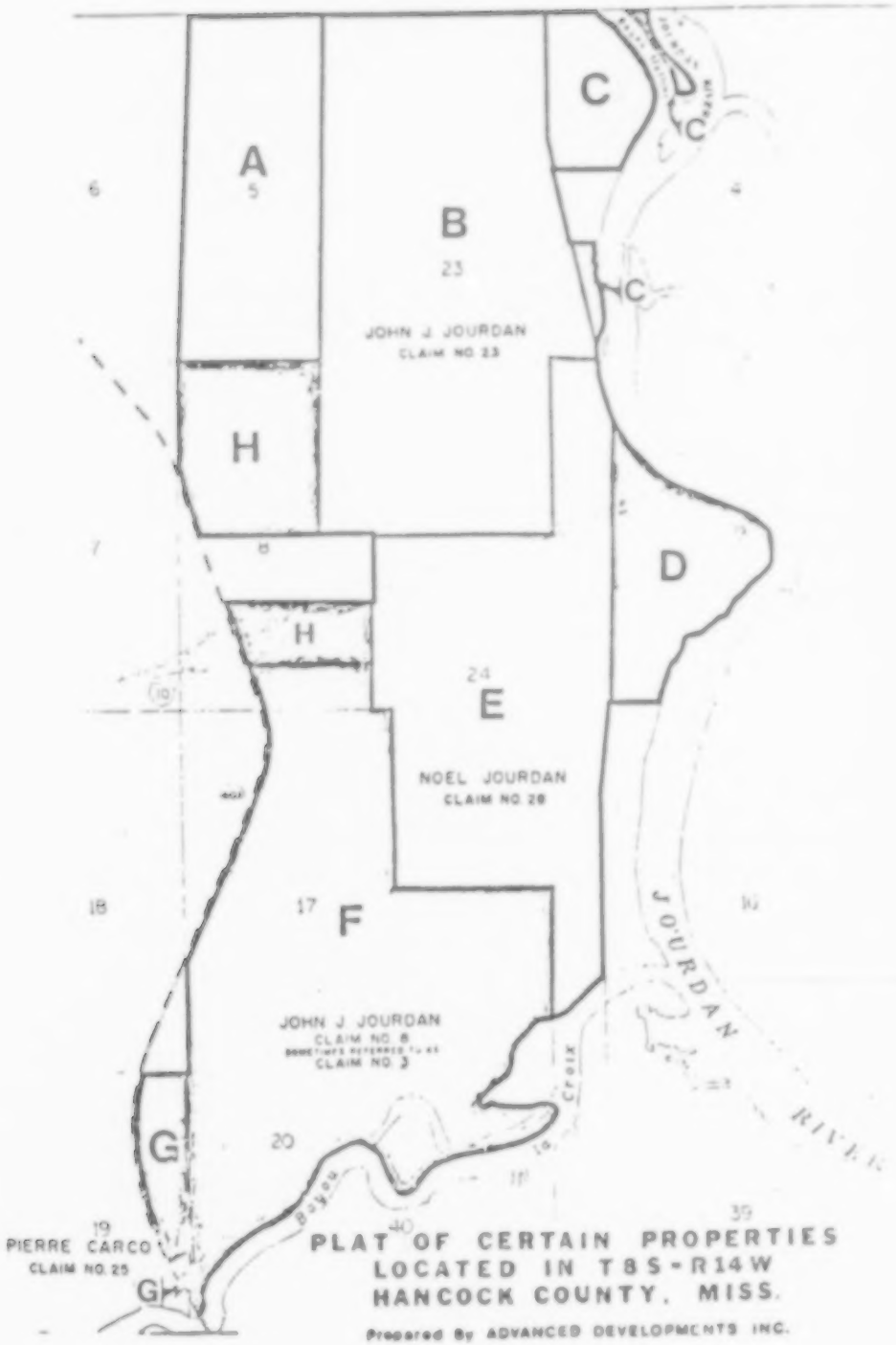
CINQUE BAMBINI PARTNERSHIP, CARROLL W. ALLEN, LYDIA CARROLL HAMILTON ALLEN, HARRY B. KELLEHER, SPOONER PETROLEUM COMPANY and ENSERCH EXPLORATION, INC.

[Names of counsel omitted]

[Jurat omitted]

FILED
DEC 5, 1978

EXHIBIT "A"



PLAT OF CERTAIN PROPERTIES
LOCATED IN T8S-R14W
HANCOCK COUNTY, MISS.

Prepared By ADVANCED DEVELOPMENTS INC.

IN THE CHANCERY COURT OF HANCOCK COUNTY, MISSISSIPPI

APPEARANCE AND SEPARATE ANSWER OF PHILLIPS PETROLEUM COMPANY

And now comes Phillips Petroleum Company, one of the Defendants, and in answer to the Bill to Quiet and Confirm Title and to Cancel Clouds on Title, answering, says:

1.

This Defendant is unable to either admit or deny the allegations of Paragraphs 1 to 15, inclusive, and 17 to 28, inclusive, of the Bill because it does not have sufficient information. It does admit the allegations of Paragraph 16 of the Bill.

2.

This Defendant neither admits nor denies the allegations of Paragraph 29, because of lack of information, but demands strict proof should such allegations affect the claims of this Defendant answering here; except, however, it admits the allegations of Paragraph 39-F and affirms that Phillips Petroleum Company has a 50% leasehold interest in the oil, gas and minerals leased by Union as described in paragraph 29-F of the Bill, and admits that the estate was established by Assignment of a 1/2 interest in the Union lease referred to, and admits the Assignment is dated March 30, 1977, and recorded in Oil and Gas Book 32 at page 106 of the Land Records on file in the Chancery Clerk's office in Hancock County, Mississippi; and, that the interest is subject to the declarations of pooling as described in Exhibit B to the Bill.

3.

This Defendant neither admits nor denies the allegations contained in Paragraph 30 of the Bill, but demands strict proof should such allegations affect the claims of this Defendant answering here.

4.

This Defendant neither admits nor denies the allegations contained in Paragraph 31 of the Bill, but demands strict proof should such allegations affect the claims of this Defendant answering here.

5.

This Defendant neither admits nor denies the allegations contained in Paragraph 32 of the Bill, but demands strict proof should such allegations affect the claims of this Defendant answering here.

6.

This Defendant admits the allegations contained in Paragraph 33 of the Bill.

7.

This Defendant neither admits nor denies the allegations contained in Paragraph 34 of the Bill, but demands strict proof should such allegations affect the claims of this Defendant answering here.

AND NOW, having fully answered the said Bill, and with reference to the Prayer thereof, this Defendant prays that the Court adjudicate that it has a 50% leasehold interest in the oil, gas and minerals leased by Union as described in sub-paragraph 29-E of the Bill, and that the Court adjudicate that such estate was established by

Assignment of a 1/2 interest in the Union lease referred to, which Assignment is recorded in Book 32, at page 106 of the Land Records on file in the Chancery Clerk's office in Hancock County, Mississippi; and this Defendant prays for general relief.

PHILLIPS PETROLEUM COMPANY, Defendant

[Names of counsel omitted]

[Jurat omitted]

FILED
FEB 23, 1979

IN THE CHANCERY COURT OF
HANCOCK COUNTY, MISSISSIPPI

[Caption omitted]

**ANSWER OF DEFENDANT
STATE OF MISSISSIPPI**

COMES NOW the State of Mississippi, Defendant, by A.F. Summer, duly qualified and elected Attorney General of the State of Mississippi, and answering the Bill to Quiet and Confirm Title and to Cancel Clouds on Title herein says:

COMPLAINANTS

1. Defendant, lacking any knowledge of the allegations in Paragraph 1 of the Bill, denies same on information and belief and demands proof thereof.

2. Defendant, lacking any knowledge of the allegations in Paragraph 2 of the Bill, denies same on information and belief and demands proof thereof.

3. Defendant, lacking any knowledge of the allegations in Paragraph 3 of the Bill, denies same on information and belief and demands proof thereof.

4. Defendant, lacking any knowledge of the allegations in Paragraph 4 of the Bill, denies same on information and belief and demands proof thereof.

5. Defendant, lacking any knowledge of the allegations in Paragraph 5 of the Bill, denies same on information and belief and demands proof thereof.

DEFENDANTS

6. Defendant admits the allegations of Paragraph 6 of the Bill.

7. Defendant, lacking any knowledge of the allegations in Paragraph 7 of the Bill, denies same on information and belief.

8. Defendant, lacking any knowledge of the allegations in Paragraph 9 of the Bill, denies same on information and belief.

9. Defendant, lacking any knowledge of the allegations in Paragraph 9 of the Bill, denies same on information and belief.

10. Defendant, lacking any knowledge of the allegations in Paragraph 10 of the Bill, denies same on information and belief.

11. Defendant, lacking any knowledge of the allegations in Paragraph 11 of the Bill, denies same on information and belief.

12. Defendant, lacking any knowledge of the allegations in Paragraph 12 of the Bill, denies same on information and belief.

13. Defendant, lacking any knowledge of the allegations in Paragraph 13 of the Bill, denies same on information and belief.

14. Defendant, lacking any knowledge of the allegations in Paragraph 14 of the Bill, denies same on information and belief.

15. Defendant, lacking any knowledge of the allegations in Paragraph 15 of the Bill, denies same on information and belief.

16. Defendant, lacking any knowledge of the allegations in Paragraph 16 of the Bill, denies same on information and belief.

17. Defendant, lacking any knowledge of the allegations in Paragraph 17 of the Bill, denies same on information and belief.

18. Answering the first sentence of Paragraph 18 of the Bill, Defendant admits that Hancock County is a body corporate and politic but denies that it may be served with process by service upon the Honorable A.F. Summer, Attorney General of the State of Mississippi, at his office in the Carroll Gartin Justice Building, Jackson, Mississippi. Answering the remainder of said Paragrpah 18, Defendant, lacking any knowledge of the allegations therein, denies same on information and belief and demands proof thereof.

19. Defendant, lacking any knowledge of the allegations in Paragraph 19 of the Bill, denies same on information and belief.

20. Defendant, lacking any knowledge of the allegations in Paragraph 20 of the Bill, denies same on information and belief.

21. Defendant, lacking any knowledge of the allegations in Paragraph 21 of the Bill, denies same on information and belief.

22. Defendant, lacking any knowledge of the allegations in Paragraph 22 of the Bill, denies same on information and belief.

23. Defendant, lacking any knowledge of the allegations in Paragraph 23 of the Bill, denies same on information and belief.

24. Defendant, lacking any knowledge of the allegations in Paragraph 24 of the Bill, denies same on information and belief.

25. Defendant, lacking any knowledge of the allegations in Paragraph 25 of the Bill, denies same on information and belief.

26. Answering the first sentence of Paragraph 26 of the Bill, Defendant admits that the Mississippi State Highway Commission is a body corporate and politic but denies that it may be served with process by service upon the Honorable A.F. Summer, Attorney General of the State of Mississippi, at his office in the Carroll Gartin Justice Building, Jackson, Mississippi. Answering the remainder of said Paragraph 26, Defendant, lacking any knowledge of the allegations therein, denies same on information and belief and demands proof thereof.

27. Defendant, lacking any knowledge of the allegations in Paragraph 19 of the Bill, denies same on information and belief.

TITLE AND DERAIGNMENT

28. Defendant, lacking any knowledge of the allegations in Paragraph 28 of the Bill, denies same on information and belief.

29. Defendant, lacking any knowledge of the allegations in Paragraph 29 of the Bill, denies same on information and belief.

30. Answering Paragraph 30 of the Bill, Defendant admits the allegations in Sub-paragraphs A and B of said Paragraph, but as to all remaining allegations of said Paragraph 30, Defendant, lacking any knowledge of said allegations, denies same on information and belief and demands proof thereof.

31. Defendant, lacking any knowledge of the allega-

tions in Paragraph 31 of the Bill, denies same on information and belief.

32. Defendant, lacking any knowledge of the allegations in Paragraph 32 of the Bill, denies same on information and belief.

CLOUDS

33. Defendant admits the allegations of Paragraph 33 of the Bill that the Mississippi Mineral Lease Commission, on August 19, 1977, signed, sealed and delivered to Saga four oil and gas leases in Township 8 South, Range 14 West of Hancock County, as described in Sub-paragraphs A, B, C and D of said Paragraph 33, but, lacking any knowledge of the remaining allegations of Sub-paragraph D of said Paragraph, denies same on information and belief and demands proof thereof. Defendant denies the allegations of Sub-paragraph E of said Paragraph 33 and demands proof thereof.

34. Defendant denies the allegations of Paragraph 34 of the Bill.

AFFIRMATIVE DEFENSE

Answering affirmatively Defendant would show that the property described in Paragraph 33, being four leases granted by the Mississippi Mineral Lease Commission to tidelands in Township 8 South, Range 24 West, in Hancock County, Mississippi, more particularly described in Sub-paragrfaphs A, B, C and D of said Paragraph, is tidelands held in public trust for the people by the State of Mississippi. Such property is public trust property and is not subject to conveyance to private persons for private purposes by either the State of Mississippi or the United

States Government. Therefore, the Complainants never became vesteed with any title to said tidelands and consequently said tidelands constitute no cloud on the title to their lands.

WHEREFORE, PREMISES CONSIDERED, having fully answered this Bill, Defendant prays that this Answer be received and filed and that upon final hearing hereon this Honorable Court will enter a decreee dismissing the Bill against this Defendant, at the cost of Complainants.

Respectfully submitted,

A.F. SUMMER, ATTORNEY GENERAL
STATE OF MISSISSIPPI

[Names of other counsel omitted]

[Certificate of Service omitted]

IN THE CHANCERY COURT OF
HANCOCK COUNTY, MISSISSIPPI

[Caption omitted]

ANSWER OF DEFENDANTS, SAGA PETROLEUM U.S. INC., ET AL, TO BILL TO QUIET AND CONFIRM TITLE AND TO CANCEL CLOUDS ON TITLE

Comes now Saga Petroleum U.S. Inc., Marshall R. Young Oil Co., Sagapart U.S. Inc., Public Service Company of Oklahoma, Varibus Corporation, Elliott Davis, as trustee of the Elliott Davis Mineral Trust, Barry M. Davis, as trustee of the Barry M. Davis Revocable Trust, and Lee H. Davis, as trustee of the Lee H. Davis Revocable Trust, eight of the Respondents in the above styled and numbered cause, and answering the Bill to Quiet and Confirm Title and to Cancel Clouds on Title filed herein says:

COMPLAINANTS

1. Defendants, lacking any knowledge of the allegations in Paragraph 1 of the Bill, deny same on information and belief and demand strict proof thereof.

2. Defendants, lacking any knowledge of the allegations in Paragraph 2 of the Bill, deny same on information and belief and demand strict proof thereof.

3. Defendants, lacking any knowledge of the allegations in Paragraph 3 of the Bill, deny same on information and belief and demand strict proof thereof.

4. Defendants, lacking any knowledge of the allegations in Paragraph 2 of the Bill, deny same on information and belief and demand strict proof thereof.

5. Defendants, lacking any knowledge of the allegations in Paragraph 5 of the Bill, deny same on information and belief and demand strict proof thereof.

DEFENDANTS

6. Defendants admit the allegations of Paragraph 6 of the Bill.

7. Defendants admit the allegations of Paragraph 7 of the Bill with the exception that the correct name of this defendant is Saga Petroleum U.S. Inc., rather than the name set forth in this paragraph of the Bill.

8. Defendants admit the allegations of Paragraph 8 of the Bill with the exception that the correct name of this defendant is Marshall R. Young Oil Co., rather than the name set forth in this paragraph of the Bill.

9. Defendants admit the allegations of Paragraph 9 of the Bill.

10. Defendants admit the allegations of Paragraph 10 of the Bill.

11. Defendants admit the allegations of Paragraph 11 of the Bill.

12. Defendants admit the allegations of Paragaph 12 of the Bill.

13. Defendants admit the allegations of Paragraph 13 of the Bill.

14. Defendants admit the allegations of Paragraph 14 of the Bill.

15. Defendants, lacking any knowledge of the allegations in Paragraph 15 of the Bill, deny same on information and belief.

16. Defendants, lacking any knowledge of the allegations in Paragraph 16 of the Bill, deny same on information and belief.

17. Defendants, lacking any knowledge of the allegations in Paragraph 17 of the Bill, deny same on information and belief.

18. Defendants, lacking any knowledge of the allegations in Paragraph 18 of the Bill, deny same on information and belief.

19. Defendants, lacking any knowledge of the allegations in Paragraph 19 of the Bill, deny same on information and belief.

20. Defendants, lacking any knowledge of the allegations in Paragraph 20 of the Bill, deny same on information and belief.

21. Defendants, lacking any knowledge of the allegations in Paragraph 21 of the Bill, deny same on information and belief.

22. Defendants, lacking any knowledge of the allegations in Paragraph 22 of the Bill, deny same on information and belief.

23. Defendants, lacking any knowledge of the allegations in Paragraph 23 of the Bill, deny same on information and belief.

24. Defendants, lacking any knowledge of the allegations in Paragraph 24 of the Bill, deny same on information and belief.

25. Defendants, lacking any knowledge of the allegations in Paragraph 25 of the Bill, deny same on information and belief.

26. Defendants, lacking any knowledge of the allegations in Paragraph 26 of the Bill, deny same on information and belief.

27. Defendants, lacking any knowledge of the allegations in Paragraph 27 of the Bill, deny same on information and belief.

TITLE AND DERAIGNMENT

28. Answering the first sentence of this paragraph, defendants deny that the complainants own or are in exclusive possession of any real property which is actually State-owned lands subject to the ebb and flow of the tide and which are below the watermark of ordinary (mean) high tide (both tidelands and submerged lands), and which may be included within the description of the lands claimed by complainants. Lacking any knowledge of the remaining allegations in Paragraph 28 of the Bill, defendants deny same on information and belief and demand strict proof thereof.

29. Defendants, lacking any knowledge of the allegations in Paragraph 29 of the Bill, deny same on information and belief and demand strict proof thereof.

30. Defendants admit the allegations of Subparagraphs A. and B. of Paragraph 30, but as to all remaining allegations of this paragraph, defendants, lacking any knowledge of said allegations, deny same on information and belief and demand strict proof thereof.

31. Defendants, lacking any knowledge of the allegations in Paragraph 31 of the Bill, deny same on information and belief and demand strict proof thereof.

32. Defendants, lacking any knowledge of the allegations in Paragraph 32 of the Bill, deny same on information and belief and demand strict proof thereof.

CLOUDS

33. Defendants admit the allegations of Sub-paragraphs A., B., C., and D. of Paragraph 33. Defendants deny the allegations of Sub-paragraph E. of said Paragraph and demand strict proof thereof.

34. Defendants deny that complainants have any valid title to or claim against the real property described in the Bill where such property is State-owned lands subject to the ebb and flow of the tide and is below the watermark of ordinary (mean) high tide (both tidelands and submerged lands). The State of Mississippi is the owner of all such lands, which are held in trust for the benefit of all of the people of the State, and these defendants are the owners of valid and subsisting oil, gas and mineral leases from the State Mineral Lease Commission on behalf of the State of Mississippi. These oil, gas and mineral leases and the lands described therein are set forth in detail in Sub-paragraphs A., B., C. and D. of Paragraph 33 of the Bill. Therefore, defendants deny the allegations of this Paragraph 34 insofar as it affects any such lands.

AFFIRMATIVE DEFENSE

Answering affirmatively, defendants aver that the lands described in the oil, gas and mineral leases referred to in Sub-paragraphs A., B., C., and D. of Paragraph 33 are tidelands and/or submerged lands which are subject to the ebb and flow of the tide up to the mean high watermark, and title to these lands has always been held in public trust

for the people of the State of Mississippi. Title to these lands has always been vested in the sovereign and remains vested today in the State of Mississippi in trust for the benefit of all of the people of the State, subject only to Federal control for commerce and navigation. Neither the Federal Government nor the State of Mississippi has ever been vested with authority to convey fee simple title to such lands to private owners. Therefore, the complainants never became vested with any title to said lands, and these lands are separate from the lands of complainants and do not constitute any cloud on the title to the lands of complainants.

And now having fully answered the Bill to Quiet and Confirm Title and to Cancel Clouds on Title, defendants pray that the Bill be dismissed as to those defendants at the cost of complainants.

Respectfully submitted,

SAGA PETROLEUM U.S. INC., MARSHALL R. YOUNG OIL CO., SAGAPART U.S. INC., PUBLIC SERVICE COMPANY OF OKLAHOMA, VARIBUS CORPORATION, ELLIOTT DAVIS, AS TRUSTEE OF THE ELLIOTT DAVIS MINERAL TRUST, BARRY M. DAVIS, AS TRUSTEE OF THE BARRY M. DAVIS REVOCABLE TRUST, and LEE H. DAVIS, AS TRUSTEE OF THE LEE H. DAVIS REVOCABLE TRUST.

[Names of counsel omitted]

[Certificate of Service omitted]

IN THE CHANCERY COURT OF
HANCOCK COUNTY, MISSISSIPPI

[Caption omitted]

ORDER GRANTING COMPLAINANTS AUTHORITY TO AMEND THE COMPLAINT

CAME on for hearing the complainants' Motion for Leave to Amend and the Court being fully advised in the premises and having carefully considered said Motion finds that it should be granted.

IT IS, THEREFORE, ORDERED that the Complaint is hereby amended to include paragraphs 7, 8, 11, 12, 13, 33 and 35K in the form set out below:

7. Saga Petroleum U.S. Inc., hereinafter sometimes referred to as Saga, is a foreign corporation which is doing business in the State of Mississippi and which is qualified to do business in the State of Mississippi. Its resident agent for service of process is C.T. Corporation System, 118 North Congress Street, Jackson, Mississippi, 39205.

8. Marshall R. Young Oil Co. is a foreign corporation which is doing business in the State of Mississippi and which is qualified to do business in the State of Mississippi. Its resident agent for service of process is C.T. Corporation System, 118 North Congress Street, Jackson, Mississippi, 39205.

11. Elliott Davis, individually, and as a co-partner doing business as Davis Bros. and as trustee of the Elliott Davis mineral trust. Elliott Davis is a non-resident of the State of Mississippi. He is a resident of the State of Oklahoma. His post office and street address is 4444 S. Zunis, Tulsa, Oklahoma.

12. Barry Davis, individually, and as a co-partner doing business as Dabro Enterprises and as trustee of the Barry M. Davis Revocable Trust. He is a non-resident of the State of Mississippi. His post office and street address is 2514 East 37th Street, Tulsa, Oklahoma.

13. A. Lee Davis, individually, and as a co-partner doing business as Dabro Enterprises and as trustee of the Lee H. Davis Revocable Trust. He is a non-resident of the State of Mississippi. His post office and street address is 2230 East 37th Street, Tulsa, Oklahoma.

B. Leon Davis, individually, and as a co-partner doing business as Davis Bros. and as trustee of the Leon Davis Mineral Trust. He is a non-resident of the State of Mississippi. His post office and street address is 500 McFarlin Building, Tulsa, Oklahoma, 74103.

C. Alex W. McCoy Associates, Inc. is a foreign corporation which is doing business in the State of Mississippi and which is qualified to do business in the State of Mississippi. Its resident agent for service of process is Martha W. Gerald, P.O. Box 158, 402 Lamar Life Building, Jackson, Mississippi, 39205.

D. Fred. Olsen Inc. is a foreign corporation which is doing business in the State of Mississippi and which is qualified to do business in the State of Mississippi. Its resident agent for service of process is C.T. Corporation System, 118 North Congress Street, Jackson, Mississippi, 39205.

33. The Mississippi Mineral Lease Commission, an agency of the State of Mississippi, acting for and on behalf of the State of Mississippi, on August 19, 1977, signed, sealed and delivered to Saga, four oil, gas and mineral leases in Township 8 South, Range 14 West of Hancock County, Mississippi, more particularly described as follows:

A. That lease recorded in Oil and Gas Book 32 page 575 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi, covering the following described acreage:

All State-owned lands subject to the ebb and flow of the tide and which are below the watermark of ordinary (mean) high tide (both tidelands and submerged lands) in the following claims and/or sections, or portiosn thereof, estimate dto comprise 568.15 acres:

TOWNSHIP 8 SOUTH, RANGE 14 WEST

568.15 acres

Tract 1: Sections 3, 4 and part of John J. Jourdan Claim 23 (said claim being also Section 23), which lies North of a line connecting the North line of Section 8 and the North line of Noel Jourdan Claim 28 (said claim being also Section 24).

B. That lease recorded in Oil and Gas Book 32 page 577 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi, covering the following described acreage:

All State-owned lands subject to the ebb and flow of the tide and which ~~are~~ below the watermark of ordinary (mean) high tide (both tidelands and submerged lands) in the following claims and/or sections, or portions therof, estimated to comprise 238.57 acres:

TOWNSHIP 8 SOUTH, RANGE 14 WEST

238.57 acres

Tract 2: Section 8, Noel Jourdan Claim 28 (said claim being also Section 24), that part of John J. Jourdan Claim 23 (said claim being also Section 23), which lies South of a

straight line connecting the North line of Section 8 with the North line of Noel Jourdan Claim 28 (said claim also being Section 24), and that part of John J. Jourdan Claim 3 (said claim being also Section 17), which lies North of a straight line connecting the South line of Section 187 and the South line of Noel Jourdan Claim 28 (said claim being also Section 24).

C. That lease recorded in Oil and Gas Book 32 page 579 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi, covering the following described acreage:

All State-owned lands subject to the ebb and flow of the tide and which are below the watermark of ordinary (mean) high tide, (both tidelands and submerged lands) in the following claims and/or sections, or portions thereof, estimated to comprise 575.73 acres:

TOWNSHIP 8 SOUTH, RANGE 14 WEST

575.73 acres

Tract 3: Sections 9, 10 and Noel Jourdan Claim 31.

D.(1) That lease recorded in Oil and Gas Book 32 page 585 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi, covering the following described acreage:

All State-owned lands subject to the ebb and flow of the tide and which are below the watermark of ordinary (mean) high tide (both tidelands and submerged lands) in the following claims and/or sections, or portions thereof, estimated to comprise 541.26 acres:

TOWNSHIP 8 SOUTH, RANGE 14 WEST

541.26 acres

Tract 6: That part of John J. Jourdan Claim 3 (said claim being also Section 17), which lies South of a straight line connecting the South line of Section 18 and the South line of Noel Jourdan Claim 28 (said claim being also Section 24), and that part of Joseph Favre Claim 31 (said claim being also Section 40), which lies East of Four Dollar Bayou.

D.(2) That lease recorded in Oil and Gas Book 30 page 500 of the land records on file in the Chancery Clerk's office in Hancock County, Mississippi, covering the following described acreage:

All wetlands owned by Lessor in the following Sections, estimated to comprise 886.5 acres:

TOWNSHIP 8 SOUTH, RANGE 15 WEST

No part of the real propety which is the subject of this suit is located in Township 8 South, Range 15 West; therefore, since the acreage described in Township 8 South, Range 15 West, is not at issue in this suit, the listing of that acreage is omitted.

TOWNSHIP 8 SOUTH, RANGE 14 WEST

Section 19:	250.00	acres
Section 40:	34.00	(West of Four Dollar Bayou)
Section 29:	60.00	(W 1/2)
Section 30:	182.50	
Section 31:	56.00	
Section 32:	27.50	

Saga assigned a 50% interest in the foregoing leases to Marshall R. Young Oil Co. on December 14, 1977. Said assignment is recorded in Oil and Gas Book 33 at page 192. According to an instrument of record in Hancock County Oil and Gas Book 36 page 279, it appears that, on or before January 10, 1978, Saga conveyed a portion of its interest in these leases to the defendants Public Service Company of Oklahoma; Varibus Corporation; Sagapart U.S. Inc.; Elliott Davis, individually, and as a co-partner doing business as Davis Bros. and as trustee of the Elliott Davis Mineral Trust; Barry Davis, individually,and as a co-partner doing business as Dabro Enterprises and as trustee of the Barry M. Revocable Trust; Lee Davis, individually, and as a co-partner doing business as Dabro Enterprises and as trustee of the Lee H. Davis Revocable Trust and Leon Davis, individually, and as a co-partner doing business as Davis Bros. and as trustee of the Leon Davis Mineral Trust.

Complainants further allege that, according to answers to interrogatories filed in this cause and other information, that the following transfers of interests have occurred which may affect the defendant lessee's interests in the state leases described above:

Alex W. McCoy Associates, Inc. (McCoy) and Leon Davis (Davis), among others, acquired a reversionary carried working interest in a development agreement of certain oil and gas properties in Hancock County, Mississippi (original agreement) dated December 19, 1974 at Deed Book AA-12, Page 516. Their interest in the leases set out above is defined in Article 5 of the original agreement. This agreement was amended on April 23, 1975, Deed Book AA-12, Page 598 (amended agreement).

On January 10, 1978, Oil and Gas Book 36, Page 279, and Oil and Gas Book 36, Page 346, a conveyance and sti-

pulation of interest was entered into between Saga Petroleum U.S. Inc. (Saga), Sagapart U.S. Inc. (Sagapart), Public Service Company of Oklahoma (Public Service) and Varibus Corporation (Varibus) in the respective interests of 32.5 percent, 7.5 percent, 30 percent and 30 percent. This conveyance and stipulation of interest was made subject to the amended agreement and subject to the reversionary carried working interests set forth therein. With respect to said reversionary carried working interest, Davis and McCoy also entered into said stipulation of interest.

On June 28, 1978, Oil and Gas Book 36, Page 461, Alex W. McCoy Associates, Inc. assigned its reversionary carried working interest under the amended agreement to Fred. Olsen Inc. (Olsen). This assignment conveyed all of McCoy's interest in an area including the property which is the subject of this lawsuit below depth of 16,000 feet to Olsen but reserved a one-fourth production payment until $10,000,000.00 plus interest and applicable taxes were received.

On June 28, 1978, Oil and Gas Book 37, Page 528, Alex W. McCoy Associates, Inc. assigned its reversionary carried working interest under the amended agreement discussed above to Fred. Olsen Inc. This assignment covered all of the reversionary carried working interest in the area above the depth of 16,000 feet to the surface and reserved a production payment of 10 percent of the reversionary carried working interest until recovery of $2,000,000.00 plus interest and taxes. Both of these assignments by McCoy to Olsen stipulated that the production payment was to be made from "undeveloped properties."

By unrecorded instrument dated September 10, 1975, Elliott Davis, Leon Davis, Barry Davis and Lee Davis conveyed their respective interests in the amended agreement

to Elliott Davis, Trustee of the Elliott Davis Mineral Trust dated March 1, 1968; Leon Davis, Trustee of the Leon Davis Mineral Trust dated March 1, 1968; Barry Davis; Trustee of the Barry M. Davis Revocable Trust dated September 1, 1975; and Lee Davis, Trustee of the Lee H. Davis Revocable Trust dated September 1, 1975. None of the trusts which were the grantees in this instrument are of record in Hancock County, Mississippi.

E. The grant of the foregoing leases with the general descriptions set out therein and the general estimates of acreage provided on the face of them constitute an assertion of a claim or pretention to the title of complainants to the subject real property as described in paragraphs 28 and 29 above and exhibit A hereto. Said leases cast doubt and suspicion on the title of the complainants who are in exclusive possession and control of the subject real property and who are the real owners. The granting of these leases, which are all filed of record in the land records of Hancock County, create serious and substantial clouds on the title of the complainants to the subject real property, as defined in exhibit A hereto, and in paragraphs 28 and 29 above.

35. K. That the State of Mississippi's claim and pretentions to mineral rights in the subject real property are void, and specifically, the oil, gas and mineral leases described in paragraph 33 as being those recorded in Oil and Gas Book 32 at page 575; Book 32 page 577; Book 32 page 579, Book 32 page 585, and Book 30 page 500 are void and of no effect to the extent that they purport to lease any of the subject real property.

SO ORDERED this the 26th day of February, 1980

/s/ John S. Morris
CHANCELLOR

IN THE CHANCERY COURT OF
HANCOCK COUNTY, MISSISSIPPI

[Caption omitted]

ANSWER OF DEFENDANT, FRED. OLSEN INC. TO BILL TO QUIET AND CONFIRM TITLE AND TO CANCEL CLOUDS ON TITLE AS AMENDED BY LEAVE OF THE COURT ON FEBRUARY 26, 1980

Comes now, Fred. Olsen Inc., defendant in the above styled and numbered cause and in answer to the Amended Bill to Quiet and Confirm Title and to Cancel Clouds on Title says:

1. That said defendant hereby adopts in full as its own and incorporates herein by reference the answer styled "ANSWER OF DEFENDANTS, SAGA PETROLEUM U.S. INC., ET AL TO BILL TO QUIET AND CONFIRM TITLE AND TO CANCEL CLOUDS ON TITLE" previously filed with the Court in the above styled and numbered cause and which answer remains on file as part of the record in this cause as it is now before the Court.

In further answer to said amendments to the Bill to Quiet and Confirm Title and to Cancel Clouds on Title s granted by leave of this Court on February 26, 1980, said defendant says:

2. Defendant admits the allegations of Paragraph No. 7 as so amended.

3. Defendant admits the allegations of Paragraph No. 8 as so amended.

4. Defendant admits the allegations of Paragraph No. 11 as so amended.

5. Defendant admits the allegations of Paragraph No. 12 as so amended.

6. Defendant admits the allegations of Paragraph No. 13 as so amended.

7. Defendant admits the allegations of Subparagraph A, B, C and D of Paragraph No. 33 as so amended. Defendant denies the allegations of Subparagraph E of Paragraph 33 as so amended.

8. Defendant denies the allegations of Paragraph No. 35 K as amended.

9. Defendant further denies that complainants are entitled to any of the relief prayed for as against said undersigned defendant in the original Bill and said Amendments thereto.

And now having fully answered the Bill to Quiet and Confirm Title and to Cancel Clouds on Title and the Amendments thereto, the defendant prays that said bill be dismissed as to the said undersigned defendant at the cost of complainants.

Respectfuly submitted,

FRED. OLSEN INC.

[Name of counsel omitted]

[Jurat omitted]

[Certificate of service committed]

IN THE CHANCERY COURT OF
HANCOCK COUNTY, MISSISSIPPI

[Caption omitted]

ANSWER OF DEFENDANTS, LEON DAVIS, INDIVIDUALLY AND AS CO-PARTNER D/B/A DAVIS BROS. AND AS TRUSTEE OF THE LEON DAVIS MINERAL TRUST TO BILL TO QUIET AND CONFIRM TITLE AND TO CANCEL CLOUDS ON TITLE AS AMENDED BY LEAVE OF THE COURT ON FEBRUARY 26, 1980

Comes now Leon Davis, individually and as a co-partner d/b/a Davis Bros. and as Trustee of the Leon Davis Mineral Trust, defendants in the above styled and numbered cause and in answer to the Amended Bill to Quiet and Confirm Title and To Cancel Clouds on Title say:

1. That said defendants hereby adopt in full as their own and incorporate herein by reference the answer styled "ANSWER OF DEFENDANTS, SAGA PETROLEUM U.S. INC., ET AL TO BILL TO QUIET AND CONFIRM TITLE AND TO CANCEL CLOUDS ON TITLE" previously filed with the Court in the above styled and numbered cause and which answer remains on file as part of the record in this cause as it is now before the Court.

In further answer to said amendments to the Bill to Quiet and Confirm Title and to Cancel Clouds on Title as granted by leave of this Court on February 26, 1980, said defendants say:

2. Defendants admit the allegations of Paragraph No. 7 as so amended.

3. Defendants admit the allegations of Paragraph No. 8 as so amended.

4. Defendants admit the allegations of Paragraph No. 11 as so amended.

5. Defendants admit the allegations of Paragraph No. 12 as so amended.

6. Defendants admit the allegations of Paragraph No. 13 as so amended.

7. Defendants admit the allegations of Subparagraph A, B, C and D of Paragraph No. 33 as so amended. Defendants deny the allegations of Subparagraph E of Paragraph 33 as so amended.

8. Defendants deny the allegations of Paragraph No. 35 K as amended.

9. Defendants further deny that complainants are entitled to any of the relief prayed for as against said undersigned defendants in the original Bill and said Amendments thereto.

And now having fully answered the Bill to Quiet and Confirm Title and to Cancel Clouds on Title and the Amendments therto, the defendants pray that said bill be dismissed as to the said undersigned defendants at the cost of complainants.

Respectfully submitted,

[Name omitted]

[Jurat omitted]

[Certificate of Service omitted]

IN THE CHANCERY OF
HANCOCK COUNTY, MISSISSIPPI

[Caption omitted]

ANSWER OF DEFENDANTS, ELLIOTT DAVIS, INDIVIDUALLY AND AS CO-PARTNER D/B/A DAVIS BROS. TO BILL TO QUIET AND CONFIRM TITLE AND TO CANCEL CLOUDS ON TITLE AS AMENDED BY LEAVE OF THE COURT ON FEBRUARY 26, 1980

Comes now Elliott Davis, individually and as a co-partner d/b/a Davis Bros., defendants in the above styled and numbered cause and in answer to the Amended Bill to Quiet and Confirm Title and to Cancel Clouds on Title say:

1. That said defendants hereby adopt in full as their own and incorporate herein by reference the answer styled "ANSWER OF DEFENDANTS, SAGA PETROLEUM U.S. INC., ET ALL TO BILL TO QUIET AND CONFIRM TITLE AND TO CANCEL CLOUDS ON TITLE" previously filed with the Court in the above styled and numbered cause and which answer remains on file as part of the record in this cause as it is now before the Court.

In further answer to said amendments to the Bill to Quiet and Confirm Title and to Cancel Clouds on Title as granted by leave of this Court on February 26, 1980, said defendants say:

2. Defendants admit the allegations of Paragraph No. 7 as so amended.

3. Defendant admit the allegations of Paragraph No. 8 as so amended.

4. Defendants admit the allegations of Paragraph No. 11 as so amended.

5. Defendants admit the allegations of Paragraph No. 12 as so amended.

6. Defendants admit the allegations of Paragraph No. 13 as so amended.

7. Defendants admit the allegations of Subparagraph A, B, C and D of Paragraph No. 33 as so amended. Defendants deny the allegations of Subparagraph E of Paragraph 33 as so amended.

8. Defendants deny the allegations of Paragraph No. 35 K as amended.

9. Defendants further deny that complainants are entitled to any of the relief prayed for as against said undersigned defendants in the original Bill and said Amendments thereto.

And now having fully answered the Bill to Quiet and Confirm Title and to Cancel Clouds on Title and the Amendments thereto, the defendants pray that said bill be dismissed as to the said undersigned defendants at the cost of complainants.

Respectfully submitted,

[Name omitted]

[Jurat omitted]

[Certificate of Service omitted]

IN THE CHANCERY COURT OF
HANCOCK COUNTY, MISSISSIPPI

[Caption omitted]

ANSWER OF DEFENDANTS, LEE DAVIS, INDIVIDUALLY AND AS A CO-PARTNER D/B/A DABRO ENTERPRISES TO BILL TO QUIET AND CONFIRM TITLE AND TO CANCEL CLOUDS ON TITLE AS AMENDED BY LEAVE OF THE COURT ON FEBRUARY 26, 1980

Comes now Lee Davis, individually and Lee H. Davis as a co-partner d/b/a Dabro Enterprises, defendants in the above styled and numbered cause and in answer to the Amended Bill to Quiet and Confirm Title and to Cancel Clouds on Title say:

1. That said defendants hereby adopt in full as their own and incorporate herein by reference the answer styled "ANSWER OF DEFENDANTS, SAGA PETROLEUM U.S. INC., ET AL TO BILL TO QUIET AND CONFIRM TITLE AND TO CANCEL CLOUDS ON TITLE" previously filed with the Court in the above styled and numbered cause and which answer remains on file as part of the record in this cause as it is now before the Court.

In further answer to said amendments to the Bill to Quiet and Confirm Title and to Cancel Clouds on Title as granted by leave of this Court on February 26, 1980, said defendants say:

2. Defendants admit the allegations of Paragraph No. 7 as so amended.

3. Defendants admit the allegations of Paragraph No. 8 as so amended.

4. Defendants admit the allegations of Paragraph No. 11 as so amended.

5. Defendants admit the allegations of Paragraph No. 12 as so amended.

6. Defendants admit the allegations of Paragraph No. 13 as so amended.

7. Defendants admit the allegations of Subparagraph A, B, C and D of Paragraph No. 33 as so amended. Defendants deny the allegations of Subparagraph E of Paragraph 33 as so amended.

8. Defendants deny the allegations of Paragraph No. 35 K as amended.

9. Defendants further deny that complainants are entitled to any of the relief prayed for as against said undersigned defendants in the original Bill and said Amendments thereto.

And now having fully answered the Bill to Quiet and Confirm Title and to Cancel Clouds on Title and the Amendments thereto, the defendants pray that said bill be dismissed as to the said undersigned defendants at the cost of complainants.

Respectfully submitted,

[Names omitted]

[Jurat omitted]

[Certificate of Service omitted]

ANSWER OF DEFENDANTS, BARRY DAVIS, INDIVIDUALLY AND AS A CO-PARTNER D/B/A DABRO ENTERPRISES TO BILL TO QUIET AND CONFIRM TITLE AND TO CANCEL CLOUDS ON TITLE AS AMENDED BY LEAVE OF THE COURT ON FEBRUARY 26, 1980

Comes now Barry Davis, individually and Barry M. Davis as a co-partner d/b/a Dabro Enterprises, defendants in the above styled and numbered cause and in answer to the Amended Bill to Quiet and Confirm Title and to Cancel Clouds on Title say:

1. That said defendants hereby adopt in full as their own and incorporate herein by reference the answer styled "ANSWER TO DEFENDANTS, SAGA PETROLEUM U.S. INC., ET AL TO BILL TO QUIET AND CONFIRM TITLE AND TO CANCEL CLOUDS ON TITLE" previously filed with the Court in the above styled and numbered cause and which answer remains on file as part of the record in this cause as it is now before the Court.

In further answer to said amendments to the Bill to Quiet and Confirm Title and to Cancel Clouds on Title as granted by leave of this Court on February 26, 1980, said defendants say:

2. Defendants admit the allegations of Paragraph No. 7 as so amended.

3. Defendants admit the allegations of Paragraph No. 8 as so amended.

4. Defendants admit the allegations of Paragraph No. 11 as so amended.

5. Defendants admit the allegations of Paragraph No. 12 as so amended.

6. Defendants admit the allegations of Paragraph No. 13 as so amended.

7. Defendants admit the allegations of Subparagraph A, B, C and D of Paragraph No. 33 as so amended. Defendants deny the allegations of Subparagraph E of Paragraph 33 as so amended.

8. Defendants deny the allegations of Paragraph No. 35 K as amended.

9. Defendants further deny that complainants are entitled to any of the relief prayed for as against said undersigned defendants in the original Bill and said Amendments therto.

And now having fully answered the Bill to Quiet and Confirm Title and to Cancel Clouds on Title and the Amendments thereto, the defendants pray that said bill be dismissed as to the said undersigned defendants at the cost of complainants.

Respectfully submitted,

[names omitted]

[Jurat omitted]

[Certificate of Service omitted]

IN THE CHANCERY COURT OF
HANCOCK COUNTY, MISSISSIPPI

[Caption omitted]

ANSWER OF DEFENDANTS, SAGA PETROLEUM U.S. INC. ET AL, TO BILL TO QUIET AND CONFIRM TITLE AND TO CANCEL CLOUDS ON TITLE AS AMENDED BY LEAVE OF THE COURT ON FEBRUARY 26, 1980

Come now Saga Petroleum U.S. Inc., Marshall R. Young Oil Co., Sagapart U.S. Inc., Public Service Company of Oklahoma, Varibus Corporation, Elliott Davis as Trustee of the Elliott Davis Mineral Trust, Barry M. Davis as Trustee of the Barry M. Davis Revocable Trust, and Lee H. Davis as Trustee of the Lee H. Davis Revocable Trust, defendants in the above styled and numbered cause and in answer to the Amended Bill to Quiet and Confirm Title and to Cancel Clouds on Title say:

1. That said defendants hereby reaffirm and repeat and incorporate herein by reference the answer styled "ANSWER OF DEFENDANTS, SAGA PETROLEUM U.S. INC., ET AL TO BILL TO QUIET AND CONFIRM TITLE AND TO CANCEL CLOUDS ON TITLE" previously filed with the Court in the above styled and numbered cause and which answer remains on file as part of the record in this cause as it is now before the Court.

In further answer to said amendments to the Bill to Quiet and Confirm Title and to Cancel Clouds on Title as granted by leave of this Court on February 26, 1980, said defendants say:

2. Defendants admit the allegations of Paragraph No. 7 as so amended.

3. Defendants admit the allegations of Paragraph No. 8 as so amended.

4. Defendants admit the allegations of Paragraph No. 11 as so amended.

5. Defendants admit the allegations of Paragraph No. 12 as so amended.

6. Defendants admit the allegations of Paragraph No. 13 as so amended.

7. Defendants admit the allegations of Subparagraph A, B, C and D of Paragraph No. 33 as so amended. Defendants dney the allegations of Subparagrfaph E of Paragraph 33 as so amended.

8. Defendants deny the allegations of Paragraph No. 35 K as amended.

9. Defendants further deny that complainants are entitled to any of the relief prayed for as against said undersigned defendants in the original Bill and said Amendments thereto.

And now having fully answered the Bill to Quiet and Confirm Title and to Cancel Clouds on Title and the Amendments thereto, the defendants pray that said bill be dismissed as to the said undersigned defendants at the cost of complainants.

Respectfully submitted,

Saga Petroleum U.S. Inc., Marshall R. Young Oil Co., Sagapart U.S. Inc., Public Service Company of Oklahoma, Varibus Corporation, Elliott Davis as Trustee of the Elliott Davis Mineral Trust, Barry M. Davis as Trustee of the Barry M. Davis Revocable Trust and Lee H. Davis as Trustee of the Lee H. Davis Revocable Turst.

[Name of counsel omitted]

[Jurat omitted]

[Certificate of Service omitted]

FILED
APR 14 1980

IN THE CHANCERY COURT OF
HANCOCK COUNTY, MISSISSIPPI

[Caption omitted]

SEPARATE ANSWER OF PHILLIPS PETROLEUM COMPANY TO BILL TO QUIET AND CONFIRM TITLE AND TO CANCEL CLOUDS ON TITLE AS AMENDED BY LEAVE OF THE COURT ON FEBRUARY 16, 1980

AND NOW comes Phillips Petroleum Company, one of the Defendants, and in answer to the Amended Bill, answering says:

I.

The Defendant answering here hereby adopts in full and incorporates herein by reference its Appearance and Separate Answer previously filed in this cause.

In further answer to the Amendments authorized by the Court on February 26, 1980, this Defendant answering, says:

I.

It admits the allegations of Paragraph No. 7, as amended.

II.

It admits the allegations of Paragraph No. 8, as amended.

III.

It admits the allegations of Pargraph No. 11, as amended.

IV.

It admits the allegations of Paragraph No. 12, as amended.

V.

It admits the allegations of Paragraph No. 13, as amended.

VI.

It admits the allegations of Paragraph No. 33, as amended.

VII.

This Defendant cannot deny the allegations of Paragraph No. 35 K, as amended.

AND NOW, having fully answered Amendments to the Bill of Complaint, this Defendant prays that the Court adjudicate that it has a 50% leasehold interest in the oil, gas and minerals leased by Union as described in sub-paragraph 29-E of the Bill, and that the Court adjudicate that such estate is established by Assignment of a 1/2 interest in the Union lease referred to, which Assignment is recorded in Book 32, at page 106, of the Land Records on file in the Chancery Clerk's office in Hancock County, Mississippi; and, this Defendant prays for general relief.

PHILLIPS PETROLEUM COMPANY, Defendant

[Names of counsel omitted]

[Jurat omitted]

[Certificate of Service omitted]

FILED
MAY 9, 1980

IN THE CHANCERY COURT OF
HANCOK COUNTY, MISSISSIPPI

[Caption omitted]

**CROSS-BILL OF DEFENDANT
STATE OF MISSISSIPPI**

COMES NOW the Cross-Complainant, State of Mississippi, by and through its representative Bill Allain, Attorney General of the State of Mississippi, and files herewith this its Cross-Bill against the Cinque Bambini Partnership, one of the Complainants in this litigation, now being made a Cross-Defendant, and would show unto the Court the following:

1. The Cross-Defendants, Cinque Bambini Partnership, is a partnership composed of Evelyn Crump Johnson, Helen Crump Cutler, Joseph P. Crump, Armand B. Crump, and Donald E. Crump, who, according to the Bill of Complaint, paragraph 31(d) were the sole devisees of James L. Crump, who died testate on April 25, 1963, and the aforementioned Cross-Defendants were vested with title to the property owned by James L. Crump and were the beneficiaries of the distribution of the assets of the Estate of James L. Crump, which Estate was administered by J.D. Crump, K.C. Barranger and E.C. Shanks, testamentary co-executors of the Estate of James L. Crump. Cross-Complainant would show further unto the Court that the Cross-Defendant, Cinque Bambini Partnership, composed of the individuals heretofore named, is made a Cross-Defendant in these proceedigns because the members of said partnership were the recipients and beneficiaries of certain sales of property belonging to the Cross-Complainant as will be hereinafter shown.

2. Cross-Complainant would show further that on September 18, 1967 the estate of James L. Crump, represented by J.D. Crump, K.C. Barranger and E.C. Shanks, testamentary co-executors of the Estate of James L. Crump, hereinafter called Crump Estate, entered into a Special Borrow Pit Lease Contract and Agreement, a copy of which is attached hereto, with T.L. James and Company, Incorporated, a Louisiana Corporation domiciled in Ruston, Lincoln Parish, Louisiana;

3. Cross-Complainant would show further that the real property which was the subject of the aforesaid Special Borrow Pit Lease Contract and Agreement is Bayou Enceinte, Hancock County, Mississippi and its adjacent land area, all of which is a portion of the property the subject of the present litigation;

4. Cross-Complainant would show further that the aforesaid Special Borrow Pit Lease Contract and Agreement dated September 18, 1967 provided for the leasing of Bayou Enceinte and its adjacent land area by the Crump Estate for the exploration, mining and removal of special borrow or any dirt suitable for embankment or roadway material for use by the T.L. James and Company, Incorporated, its affiliates, partners, or associates in the construction of U.S. Interstate Highway 10 in Hancock County, Mississippi;

5. Cross-Complainant would show further that one million, six hundred and fifty-six thousand, and thirty-seven (1,656,037) cubic yards of dirt, more or less, were removed under the aforesaid Special Borrow Pit Lease Contract and Agreement from Bayou Enceinte and its adjacent land area and that the T.L. James and Company, Incorporated, based on information and belief, paid Twenty-Seven Thousand, Six Hudnred and Five and

82/100 Dollars ($27,605.82), more or less, into the Estate of James L. Crump for the dirt and special borrow that was removed pursuant to the lease agreement between September 18, 1967 and September 18, 1970;

6. Cross-Complainant would show further that the T.L. James and Company, Incorporated was paid ninety-eight cents (98¢) per cubic yard, more or less, by the State Highway Commission of Mississippi for dirt in place for the construction or part of Interstate 10 in Hancock County, Mississippi near the Jourdan River;

7. Cross-Complainant would show further that one million, six hundred fifty-six thousand, and thirty-seven (1,656,037) cubic yards of dirt, more or less, was provided by the Crump Estate to the T.L. James and Company, Incorporated pursuant to the aforesaid Special Borrow Pit Lease Contract and Agreement and that the dirt provided to T.L. James by the Crump Estate was then provided in place by the T.L. James and Company, Incorporated to the State Highway Commission of Mississippi, an agency of the Cross-Complainant, State of Mississippi;

8. Cross-Complainant would show further that title to submerged land below mean high tide is in the State of Mississppi and such property is public trust property held in trust by the State;

9. Cross-Complainant would show further that the submerged land in Bayou Enceinte below mean high tide was the property of the State of Mississippi held in trust by the State and the title of such property below mean high tide remains in the State; and that as a result of the action of the Cross-Defendants' testators estate, the Cross-Defendants have been unjustly enriched in that the State of Mississippi has been caused to be paid into the Crump

Estate for the benefit of the Cross-Defendants monies for property that in fact belonged to and was the property of the State of Mississippi;

10. Cross-Complainant would show further that pursuant to the aforementioned Special Borrow Pit and Lease Contract and Agreement the Crump Estate sold public trust land below mean high tide in Bayou Enceinte to T.L. James and Company, Incorporated, said public trust lands sold totaling, based in information and belief, five hundred forty-four thousand, and thirty-six (544,036) cubic yards, more or less, at a cost to the State of ninety-eight cents (98¢) per cubic yard for a total amount of Five Hundred Thirty-Three Thousand, One Hundred Fifty-Five and 68/100 Dollars ($533,155.68), more or less, said sum representing a loss to the State of Mississippi in said amount and a resulting unjust enrichment to the Cross-Defendants by virtue of the illegal acts in selling the property belonging to the State of Mississippi and the accepting of the benefits thereform;

11. Cross-Complainant would show further that the Cross-Defendants have been unjustly enriched in that after illegally removing the land which was excavated below mean high tide there has been created two large bodies of water located in borrow pits which resulted from the illegal excavation of the property of the State of Mississippi and that such illegal excavation has enhanced the value of the Cross-Defendnats' property and that the Cross-Defendants now seek to convert the borrow pits and adjacent property into real property to be offered for sale to the public which would include controlled access to properties, and that the illegally created borrow pits and bodies of water resting thereon now completely hide under many feet of water the properties owned by the Cross-

Complainant, State of Mississippi, and that the Cross-Defendants, as a result of the illegal actions as aforesaid done on their behalf and from which they obtained benefit in the past and now seek additional benefits through potential sales, have been unjustly enriched by the enhanced value of their property and are indebted to the State of Mississippi as a result of their unjust enrichment at the expense of the State of Mississippi in the sum of One Million, Five Hundred Thousand Dollars ($1,500.000.00).

PRAYER

WHEREFORE, PREMISES CONSIDERED, the Cross-plainant, State of Mississippi, prays that its original Answer filed in this cause stands as pled and that its Cross-Bill be considered and that all said averments or denials contained in the Cross-Complainant's original Answer be and they are hereby adopted in this Cross-Complaint and that on a final hearing by this Court, the Court shall order, adjudge and decree and confirm that:

1. The Cross-Complainant, State of Mississippi, held, as public trust property at the time of the execution of and performance under the Special Borrow Pit Lease Contract and Agreement signed on September 18, 1967, title to the submerged land of Bayou Enceinte up to mean high tide;

2. The Cross-Complainant, State of Mississippi, has suffered a loss, due to the Special Borrow Pit Lease Contract and Agreement by the Crump Estate of the submerged land of Bayou Enceinte up to mean high tide, in the amount of Five Hundred Thirty-Three Thousand, One Hundred Fifty-Five and 68/100 Dollars ($533,156.68), more or less, due to the sale of approximately five hundred forty-four thousand, and thirty-six (544,036) cubic yards

of dirt, more or less, to the T.L. James and Company, Incorporated:

3. The Cross-Defendants have been unjustly enriched by the creation of the bodies of water in the borrow pits created by the illegal taking of the Cross-Complainant's land and the Cross-Complainant, State of Mississippi, is entitled to judgment against Cross-Defendants for such unjust enrichment in the sum of One-Million, Five Hundred Thousand Dollars ($1,500,000.00);

4. The Cross-Complainant, State of Mississippi, prays that judgment in the amount of Two Million, Thirty-Three Thousand, One Hundred Fifty-Five and 68/100 Dollars ($2,033,155.68) be awarded against the Cross-Defendants;

5. The costs of this action shall be assessed against Cross-Defendants.

Should Cross-Complainant, State of Mississippi, be mistaken in the relief requested, then Cross-Complainant, State of Mississippi, prays for such other relief, both general and special, as is appropriate in the premises and as the Court may deem just and proper.

Dated this the 2nd day of April, 1981.

Respectfully submitted,

BILL ALLAIN, ATTORNEY GENERAL
STATE OF MISSISSIPPI

[Names of other counsel omitted]

FILED
APR 2 1981

STATE OF LOUISIANA SPECIAL BORROW PIT
PARISH OF ORLEANS LEASE AGREEMNT

KNOW ALL MEN BY THESE PRESENTS, that on this 18th day of September, 1967, came and appeared the Estate of JAMES L. CRUMP, herein represented by J.D. CRUMP, K.C. BARRANGER and E.C. SHANKS, Testamentary Co-Executors of the Estate of James L. Crump, hereinafter called LESSOR, and T.L. JAMES & CO., INC., a Louisiana corporation domiciled in Ruston, Lincoln Parish, Louisiana and represented herein by its duly authorized Vice President, George D. Williams, hereinafter called LESSEE, who declared that they do enter into the following Special Borrow Pit Lease contract and Agreement:

1. DESCRIPTION

LESSOR agrees to lease to LESSEE that certain portion of real property located in the State of Mississippi, County of Hancock which is more particularly set out and described on the plat attached hereto and made a part hereof and initialed by the LESSOR and the LESSEE for identification herewith.

2. PURPOSE

It is agreed that this lease is for the purpose of permitting LESSEE to explore for, mine and remove special borrow or any dirt suitable for embankment or roadway material for use by LESSEE, its affiliates, partners, or associates in a joint venture, in the construction of U.S. Interstate Highway 10 and taht the rights granted LESSEE are not assignable, except to such affiliates, partners, or associates in a joint venture with respect to construction of Interstate Highway 10.

3. CONSIDERATION

Consideration for this lease shall be TWENTY-FIVE THOUSAND AND NO/100 ($25,000.00) DOLLARS for all material removed up to and including One Million Five Hundred Thousand (1,500,000) cu. yds. and 1-2/3¢ for each cu. yd. over 1,500,000 cu. yds. removed from the leased presmises. The measurement to be used for all purposes of payment herein shall be that quantity of suitable embankment material which is determined for the purpose of paying LESSEE in accordance with its contract or contracts for the construction of Interstate Highway 10 upon which said material shall be exclusively used.

4. PAYMENT

FIFTEEN THOUSAND AND NO/100 ($15,000.00) DOLLARS shall be paid to LKESSOR by LESSEE simultaneously with the execution of this Agreement. After LESSEE has removed 750,000 cu. yds. it shall remit to LESSOR 1-1/3¢ for each cu. yd. of the next 750,000 cu. yds. removed which said sums shall be due thirty (30) days after LESSOR is paid for the placement of the said material upon Interstate Highway 10 until such time as 1,500,000 cu. yds. have been removed by LESSEE. Should the said contract terminate or should LESSEE cease for any reason to use the leased premises before removing 1,500,000 cu. yds. of material, it shall pay within sixty (60) days after said cessation of use the difference between the sums theretofore remitted and TWENTY-FIVE THOUSAND AND NO/100 ($25,000,00) DOLLARS. After removal of 1,500,000 cu. yds. of material the LESSEE shall pay to the LESSOR 1-2/3¢ for each cu. yd. of material removed which said sum shall be paid to LESSOR by LESSEE thirty (30) days after LESSEE is paid for placing the said material under its contract for the construction of Interstate Highway I-10.

5. TERM

The term of this lease shall be for a period not longer than three (3) years from the date of the execution of the lease agreement. LESSEE shall execute a cancellation of this lease agreement at such time as it or any of its affiliates have no need for any suitable embankment material for the construction of Interstate Highway I-10 within the vicinity of the leased premises if such cancellation is required by LESSOR prior to the end of the three year term.

6. SPECIFICATIONS

Retaining dykes around spoil areas 1, 2, 3 and 4 as indicated on the attached plat will be erected by LESSEE to the maximum height permitted by ground conditions and the condition of the material used to construct the said dykes. LESSEE shall strip material from borrow pits 1 and 2, as indicated on the attached plat, which is unsuitable for highway embankment and will place the said stripped material in spoil areas 1, 2,. 3 and 4 to the maximum height that he said stripped material and the conditions of the ground will permit. There shall be no consideration due by LESSEE to LESSOR in connection with the said stripping operations. LESSEE shall remove from borrow pits 1 and 2 a minimum of 750,000 cu. yds of embankment material suitable for use in connection with the above described contract. LESSEE shall not remove more than 2,500,000 cu. yds. of suitable embankment material.

7. WARRANTY OF TITLE AND OWNERSHIP

LESSOR hereby warrants and agrees to defend the title of said lands and further warrants that he is the sole and only owner of the property described herein above. LESSOR agrees to indemnify LESSEE from any and all claims by third parties based on the rights of ownership. In case

of any title dispute or litigation, LESSEE is hereby authorized to withhold payment of royalties until final adjudication or settlement of said disputes.

8. RIGHT OF INGRESS AND EGRESS

LESSEEE shall have the full right of ingress and egress to and from said property and the right to construct and maintain roads, bridges, culverts, plants, equipment and other structures necessary and convenient to LESSEE's operation under the terms of this lease and shall specifically have the right to lay pipelines necessary in connection with the transportation and dredging of material over the entire property owned by LESSOR in the viciity of the leased premises.

9. REMOVAL OF TREES AND OTHER IMPROVEMENTS

LESSEE is granted the right to remove any trees, shrubs or other structures and improvements presently on the leased premises which impede or are not needed in its operation on said premises.

10. REMOVAL OF EQUIPMENT AND MATERIAL

Upon termination of this lease, LESSEE shall have the right to remove all equipment and buildings not previously removed from the premises, within a period of thirty (30) days from the date of termination. LESSEE shall restore the leased premises to the same condition that it was in when it took possession of the leased premises under the terms of this lease except where deliberate alterations were made such as in spoil areas and borrow pits or where shrubbery or trees were removed in connection with the operations conducted on the leased premises under the terms of this lease.

11. INDEMNIFICATION

LESSEE agrees to indemnify and hold LESSOR harmless from any and all claims or damages resulting from its operations on the leased premises except insofar as claims resulting from title to the leased premises which said claims are specifically provided for hereinabove.

THUS DONE AND SIGNED in the presence of the undersigned competent witnesses.

[Names of witnessses omitted] [Names of lessors and lessees omitted]

[Attached map omitted]

[Certificate of Service omitted]

ANSWER OF PHILLIPS PETROLEUM COMPANY TO ALL AFFIRMATIVE MATTERS CONTAINED IN THE ANSWERS OF THE STATE OF MISSISSIPPI, AND SAGA PETROLEUM U.S., INC., ET AL TO THE BILL OF COMPLAINT AS AMENDED

Comes now Phillips Petroleum Company ("Phillips") and respectfuly answers nad responds to all affirmative matters contained in the Answers of the State of Mississippi, and Saga Petroleum U.S., Inc., et al, to the Bill of Complaint as amended.

1. Phillips denies either the State of Mississippi or any oil, gas and mineral lessee of the State, including Saga, owns any interest in any portion of the lands described in the Bill of Complaint as amended, under the public trust doctrine or otherwise.

2. The State of Mississippi and all pesons claiming under the State of Mississippi, including Saga, are estopped to deny the validity of the title as deraigned and claimed in the Bill of Complaint, as amended.

3. The oil, gas and mineral leases executed by the State of Mississippi in favor of Saga in question in this proceeding and set out with particularity in the Bill of Complaint as amended are void.

[Names of counsel for Phillips Petroleum Company omitted]

FILED
June 2, 1981

IN THE CHANCERY COURT OF
HANCOCK COUNTY, MISSISSIPPI

[Caption omitted]

COMPLAINANTS' ANSWER TO AFFIRMATIVE MATTER SET OUT IN THE ANSWER OF DEFENDANT, STATE OF MISSISSIPPI

COME NOW the Complainants and respond to the affirmative matter contained in the answer of the Defendant, The State of Mississippi, as follows: The affirmative matter set out in the answer of the State of Mississippi, at pages 4 and 5, or otherwise, is hereby denied.

Dated this the 15th day of June, 1981.

Respectfully submitted,

[Names of counsel omitted]

FILED
JUN 17 1981

IN THE CHANCERY COURT OF
HANCOCK COUNTY, MISSISSIPPI

[Caption omitted]

COMPLAINANTS' ANSWER TO AFFIRMATIVE MATTER CONTAINED IN THE ANSWER OF SAGA PETROLEUM U.S., INC., ET AL

COME NOW the Complainants and respond to the affirmative matter contained in the answer of the Defendant, Saga Petroleum U.S., Inc., et al, as follows: The affirmative matter set out in the answer of Saga Petroleum U.S., Inc. at page 5, or otherwise, is hereby denied.

Dated this the 15th day of June, 1981.

Respectfully submitted,

[Names of counsel omitted]

FILED
JUN 17 1981

BEST AVAILABLE COPY

C-36

Producers 88 (Paid) (Revised Oct. 1, 1948) With Pooling Provision.

OIL, GAS AND MINERAL LEASE

BOOK 32 PAGE 385

THIS AGREEMENT made this 19th day of August 77 between STATE MINERAL LEASE COMMISSION, for and on behalf of the STATE OF MISSISSIPPI

Lessor (whether one or more) whose address is P. O. Box 220, Jackson, Mississippi 39205
and SAGA PETROLEUM U.S. INC., 2000 West Loop South, Houston, Texas 77027 Lessee, WITNESSETH:

1. Lessor in consideration of --Two Hundred Eighteen Thousand One Hundred Sixteen and 96/100-- Dollars
($ 218,116.96), in hand paid, of the royalties herein provided, and of the covenants of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon, to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in Hancock County, Mississippi, to-wit:

All State-owned lands subject to the ebb and flow of the tide and which are below the watermark of ordinary (mean) high tide (both tidelands and submerged lands) in the following claims and/or sections, or portions thereof, estimated to comprise 541.26 acres:

TOWNSHIP 8 SOUTH, RANGE 14 WEST

Tract 6: That part of John J. Jourdan Claim 3 (said claim being also Section 17), which lies South of a straight line connecting the South line of Section 18 and the South line of Noel Jourdan Claim 28 (said claim being also Section 24), and that part of Joseph Favre Claim 31 (said claim being also Section 40), which lies East of Four Dollar Bayou. 541.26 acres

It is understood that this lease will cover only oil and gas and all constituent products produced therewith (both hydrocarbon and non-hydrocarbon), and sulphur and that the words "all other minerals" are deleted wherever they appear in this lease form. Paragraph 3 of this lease is hereby amended to read one-fourth (1/4th) royalty on oil and gas and all constituent products produced therewith (both hydrocarbon and non-hydrocarbon); further the royalty for sulphur shall be $2.00 per long ton.

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said section or sections, grant or grants, or in adjacent sections or grants, although not included within the boundaries of the land particularly described above. For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 541.26 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of three (3) years from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land or lands with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessor may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase, or other case such interest to bear its proportion of any expense of treating unmerchantable oil to render it merchantable as crude; (b) on gas, including casinghead gas or other gaseous substance, produced from said land and used or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amounts realized from such sale; where gas from a gas well is not sold or used, Lessee may pay as royalty $100.00 per well per year and if such payment is made it will be considered that gas is being produced within the meaning of Paragraph 2 hereof; and (c) on all other minerals mined and marketed, one-tenth either in kind or value at the well or mine, at Lessor's election, except that on sulphur mined and marketed, the royalty shall be fifty cents ($0.50) per long ton. Lessee shall have free use of oil, gas, coal, wood and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after deducting any so used. Lessor shall have the privilege at his risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon out of any surplus gas not needed for operations hereunder.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said premises in compliance with any lawful spacing rule which may be prescribed for the field in which this lease is situated by any duly authorized authority, or when to do so would, in the judgment of Lessee, promote the conservation of the oil and gas in and under and that may be produced from said premises. Lessee shall execute in writing an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, Lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

5. If operations for drilling are not commenced on said land or on acreage pooled therewith as above provided on or before one year from this date the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor in State Mineral Lease Commission, Attorney General, P. O. Box 220, Jackson Mississippi 3920
(which bank and its successors are Lessor's agents and shall continue as the depositary for all rentals payable hereunder regardless of changes in ownership of said land or the rentals) the sum of Five Hundred Forty-One and 26/100 Dollars
($ 541.26), (herein called rental), which shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental may be made by the check or draft of Lessee mailed or delivered to Lessor or to said bank on or before such date of payment. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payment or tender of rental until thirty (30) days after Lessor shall deliver to Lessee a proper recordable instrument, naming another bank as agent to receive such payments or tenders. The down cash payment is consideration for this lease according to its terms and shall not be allocated as more rental for a period. Lessee may at any time or times execute and deliver to Lessor or to the depositary above named or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

6. If prior to discovery of oil, gas or other mineral on said land or on acreage pooled therewith, or if after discovery of oil, gas or other mineral, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within 60 days thereafter or if it be within the primary term, commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of 60 days from date of completion of dry hole or cessation of production. If at any time subsequent to sixty (60) days prior to the beginning of the last year of the primary term and prior to the discovery of oil, gas or other mineral on said land, or on acreage pooled therewith, Lessee should drill a dry hole thereon, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If at the expiration of the primary term, oil, gas or other minerals is not being produced on said land, or on acreage pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or shall have completed a dry hole thereon within sixty (60) days prior to the end of the primary term, the lease shall remain in force so long as operations are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil, gas or other minerals, so long thereafter as oil, gas or other minerals is produced from said land or acreage pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within one hundred fifty (150) feet of and draining the leased premises, or acreage pooled therewith, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

7. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. Where required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent. Lessee shall be responsible for all damages caused by Lessee's operations hereunder, other than damages reasonably caused by the exercise of the rights herein granted.

8. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns; but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. In the event of the death of any person entitled to rentals hereunder, Lessee may pay or tender such rentals to the credit of the deceased or the estate of the deceased until such time as Lessee is furnished with proper evidence of the appointment and qualifications of an executor or administrator of the estate, or if there be none, then until Lessee, in furnished with evidence satisfactory to it as to the heirs or devisees of the deceased, and that all debts of the estate have been paid. If at any time two or more persons be entitled to participate in the rental payable hereunder, Lessee may pay or tender said rental jointly to such persons or to their joint credit in the depositary named herein, or, at Lessee's election, the proportionate part of said rental to which each participant is entitled may be paid or tendered to him separately or to his separate credit in said depository, and payment or tender to any participant of his portion of the rentals hereunder shall maintain this lease as to such participant. In event of assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. If two or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

EXHIBIT C-36
EVIDENCE

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9. The breach by Lessee of any obligation hereunder shall not work a forfeiture or termination of this lease nor be cause for cancellation hereof in whole or in part, save as herein otherwise provided. If the obligation should require the drilling of a well or wells, Lessee shall have ninety (90) days after the receipt of written notice by Lessor from Lessor specifically stating the breach alleged by Lessee within which to begin operations for the drilling of any such well or wells; and the only penalty for failure so to do shall be the termination of this lease save as to forty (40) acres for each well being worked on or producing oil or gas, to be selected by Lessee so that each forty (40) acre tract will embrace one such well. After the discovery of oil, gas or other mineral in paying quantities on said premises, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil, gas or other mineral in paying quantities.

10. Lessee hereby covenants and agrees to defend the title to said land and agrees that Lessor shall have the right to purchase any lien [illegible] in accord that if Lessor owns an interest in said land less than the entire fee simple estate, then the royalties and rentals to be paid Lessor shall be reduced proportionately. Failure of Lessee to reduce rental paid hereunder shall not impair the right of Lessee to reduce royalties.

11. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, or any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

12. The undersigned Lessor, for himself and his heirs, successors and assigns, hereby surrenders and releases all rights of homestead in the premises hereby described, in so far as said rights of homestead may in any way affect the purposes for which this lease is made as recited herein, and agrees that the annual drilling deferment rental payments made to Lessor as herein provided will fully protect this lease as to the full interests of the undersigned.

In WITNESS WHEREOF, this instrument is signed, sealed and delivered on the date first above written.

WITNESS:

STATE MINERAL LEASE COMMISSION (SEAL)

BY Cliff Finch (SEAL)

CLIFF FINCH, Governor and Ex Officio Chairman (SEAL)

(SEAL)

(SEAL)

BY A. F. Summer (SEAL)

A. F. SUMMER, Attorney General and Ex Officio Secretary

STATE OF MISSISSIPPI
COUNTY OF HINDS

Personally appeared before me, the undersigned authority in and for the jurisdiction aforesaid, and while within my official jurisdiction, the within named CLIFF FINCH and A. F. SUMMER, personally known to me to be the Governor of the State of Mississippi and Ex Officio Chairman of the State Mineral Lease Commission, and the Attorney General of the State of Mississippi and Ex Officio Secretary of the State Mineral Lease Commission, respectively, who acknowledged before me that they signed, sealed and delivered the foregoing Oil, Gas and Mineral Lease as the act and deed of said Commission for and on behalf of the State of Mississippi, on the date and for the purposes therein stated, first being duly authorized so to do.

GIVEN under my hand and official seal of office, this the 26th day of August, 1977.

Mrs. J. J. Langford
NOTARY PUBLIC

My Commission Expires:

My Commission Expires Sept. 15, 1978

(Affix Seal)

My commission expires:

Notary Public.

STATE OF MISSISSIPPI,
COUNTY OF HANCOCK

I, JOHN D. RUTHERFORD, JR., Clerk of the Chancery Court of said County, hereby certify that the foregoing instrument of writing was filed in my office for record on the 6 day of October, 1977, at 11:50 o'clock A. M., and duly recorded in Oil and Gas Lease Record Book No. 32, Page No. 585-526

WITNESS my hand and seal of said Court, this 14 day of October, 1977.

JOHN D. RUTHERFORD, JR., Chancery Clerk

By Dorothy Pennington, D.C.

824

Oil

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C-37 02-01-0908

Producer 88-D9403 (Revised Oct. 1, 1968) With Pooling Provision.

OIL, GAS AND MINERAL LEASE BOOK 32 PAGE 577

THIS AGREEMENT made this 19th day of August 19 77 between STATE MINERAL LEASE COMMISSION, for and on behalf of the STATE OF MISSISSIPPI

P. O. Box 220, Jackson, Mississippi 39205

Lessor (whether one or more) whose address is, and SAGA PETROLEUM U.S. INC., 2000 West Loop South, Houston, Texas 77027 Lessee, WITNESSETH:

1. Lessor in consideration of ---Ninety-Eight Thousand Seventy-Eight and 52/100---------- Dollars ($ 98,078.52), in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon, to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in Hancock County, Mississippi, to-wit:

All State-owned lands subject to the ebb and flow of the tide and which are below the watermark of ordinary (mean) high tide (both tidelands and submerged lands) in the following claims and/or sections, or portions thereof, estimated to comprise 238.57 acres:

TOWNSHIP 8 SOUTH, RANGE 14 WEST

Tract 2: Section 8, Noel Jourdan Claim 28 (said claim being also Section 24), that part of John J. Jourdan Claim 23 (said claim being also Section 23), which lies South of a straight line connecting the North line of Section 8 with the North line of Noel Jourdan Claim 28 (said claim also being Section 24), and that part of John J. Jourdan Claim 3 (said claim being also Section 17), which lies North of a straight line connecting the South line of Section 18 and the South line of Noel Jourdan Claim 28 (said claim being also Section 24). 238.57 acres

8.00

STATE OF MISSISSIPPI

It is understood that this lease will cover only oil and gas and all constituent products produced therewith (both hydrocarbon and non-hydrocarbon), and sulphur and that the words "all other minerals" are deleted wherever they appear in this lease form. Paragraph 3 of this lease is hereby amended to read one-fourth (1/4th) royalty on oil and gas and all constituent products produced therewith (both hydrocarbon and non-hydrocarbon); further the royalty for sulphur shall be $2.00 per long ton.

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said section or sections, grant or grants, or in adjacent sections or grants, although not included within the boundaries of the land particularly described above. For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 238.57 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of three (3) years from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land or lands with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase, or either pay such interest to bear its proportion of any expense of treating unmerchantable oil to render it merchantable as provided; (b) on gas, including casinghead gas or other gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; where gas from a gas well is not sold or used, Lessee may pay as royalty $100.00 per well per year and if such payment is made it will be considered that gas is being produced within the meaning of Paragraph 2 hereof; and (c) on all other minerals mined and marketed, one-tenth either in kind or value at the well or mine, at Lessee's election, except that on sulphur mined and marketed, the royalty shall be fifty cents per long ton. Lessee shall have free use of oil, gas, coal, wood and water from Lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after deducting any so used. Lessee shall have the privilege at his risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon free of any surplus gas not needed for operations hereunder.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said premises in compliance with any lawful spacing rules which may be prescribed for the field in which this lease is situated by any duly authorized authority, or when to do so would, in the judgment of Lessee, promote the conservation of the oil and gas in and under and that may be produced from said premises. Lessee shall execute in writing an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, Lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

5. If operations for drilling are not commenced on said land or on acreage pooled therewith as above provided on or before one year from this date the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor in the State Mineral Lease Commission, Attorney General, P.O. Box 220, Jackson, Mississippi 39205 (which bank and its successors are Lessor's agent and shall continue as the depositary for all rentals payable hereunder regardless of changes in ownership of said land or the rentals) the sum of Two Hundred Thirty-Eight and 57/100---------- Dollars ($ 238.57), herein called rental, which shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental may be made to the above or draft of Lessor mailed or delivered to Lessor or to said bank on or before such date of payment. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessor shall not be held in default for failure to make such payment or tender of rental until thirty (30) days after Lessor shall deliver to Lessee a proper recordable instrument, naming another bank as agent to receive such payments or tenders. The down cash payment is consideration for this lease according to its terms and shall not be allocated as mere rental for a period. Lessee may at any time or times execute and deliver to Lessor or to the depositary above named or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

6. If prior to discovery of oil, gas or other mineral on said land or on acreage pooled therewith Lessee should drill a dry hole or holes thereon, or if after discovery of oil, gas or other mineral, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within 60 days thereafter or if no within the primary term, commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next coming after the expiration of 60 days from date of completion of any dry hole or cessation of production. If at any time subsequent to sixty (60) days prior to the beginning of the last year of the primary term and prior to the discovery of oil, gas or other mineral on said land, or on acreage pooled therewith, Lessee should drill a dry hole thereon, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If at the expiration of the primary term, oil, gas or other mineral is not being produced on said land, or on acreage pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or shall have completed a dry hole thereon within sixty (60) days prior to the end of the primary term, the lease shall remain in force so long as operations are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil, gas or other minerals, so long thereafter as oil, gas or other minerals is produced from said land or acreage pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought to an adjacent land and within one hundred fifty (150) feet of and draining the leased premises, or acreage pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

7. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessee's consent. Lessee shall be responsible for all damages caused by Lessee's operations hereunder other than damages necessarily caused by the exercise of the rights herein granted.

8. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns; but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by the party making such change or division with a certified copy of recorded instrument or instruments evidencing same. In the event of fractional ownership of the rentals or royalties, the rentals to be paid Lessor shall be proportionately reduced in accordance with the net acreage interest held by each. Lessee may pay or tender such rentals or royalties to the credit of any or all such owners. Should any one or more of the parties named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor" as used in this lease, whether one or more than one person is named as Lessor herein, shall mean any one of them from whom full rental or royalty payment is received, or who executes a ratification hereof, or who owns an interest in said land, and all of them. All of the provisions of this lease shall inure to the benefit of and be binding upon each party who executes it without regard to whether it is executed by all those named herein as Lessor.

9. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from the wells of Lessor. When requested by Lessor in writing, Lessee shall bury its pipe lines below plow depth. No well shall be drilled nearer than 200 feet to the house or barn now on said land without the consent of the Lessor. Lessee shall pay for damages caused by its operations to growing crops on said land. Lessee shall have the right at any time to remove all machinery, fixtures, houses, buildings and other structures placed on said land, including the right to draw and remove casing.

10. In the event Lessor considers that operations are not being conducted in compliance with this lease, Lessor shall notify Lessee in writing, setting forth in what manner it is claimed that Lessee has failed to comply with its obligations hereunder. If Lessee fails to comply with its obligations hereunder within sixty (60) days after such notice is received, Lessor may cancel this lease as to all or any part of the land described herein with respect to which Lessee is then in default by filing for record a written declaration to that effect after the lapse of said sixty (60) day period. Thereupon Lessee shall be relieved of all obligations thereafter accruing as to the acreage surrendered.

11. Lessor hereby warrants and agrees to defend the title to the land herein described, and agrees that Lessee at its option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the above described lands. If Lessee exercises such option, it shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or other payments then or thereafter accruing to Lessor. If Lessor owns less than the full mineral estate in all or any part of the land described herein, the royalties and rentals provided for herein shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided mineral estate in such land.

12. All express or implied covenants of this lease shall be subject to all Federal and State laws, executive orders, rules or regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation.

13. Lessor hereby agrees that during the primary term hereof, should Lessor receive a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the above described land, Lessee shall have the prior and preferential right to purchase such lease from Lessor by matching such bona fide offer within fifteen days after Lessee receives from Lessor a true copy of such offer.

14. Lessee may at any time and from time to time deliver to Lessor or file for record a release of this lease as to any part or all of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered.

15. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. All the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their heirs, successors, assigns and successors in title.

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73. Lessor hereby agrees that during the primary term hereof, should Lessor receive a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the above described land, Lessee shall have the prior and preferential right to purchase such lease from Lessor by matching such bona fide offer within fifteen days after Lessee receives from Lessor a true copy of such offer.

74. Lessee may at any time and from time to time deliver to Lessor or file for record a release of this lease as to any part or all of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered.

75. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. All the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their heirs, successors, assigns and successors in title.

76. Lessor hereby warrants and agrees to defend the title to the land herein described, and agrees that Lessee at its option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the above described lands. If Lessee exercises such option, it shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or other payments then or thereafter accruing to Lessor. If Lessor owns less than the full mineral estate in all or any part of the land described herein, the royalties and rentals provided for herein shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided mineral estate in such land.

77. All express or implied covenants of this lease shall be subject to all Federal and State laws, executive orders, rules or regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation.

78. Lessor hereby agrees that during the primary term hereof, should Lessor receive a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the above described land, Lessee shall have the prior and preferential right to purchase such lease from Lessor by matching such bona fide offer within fifteen days after Lessee receives from Lessor a true copy of such offer.

79. Lessee may at any time and from time to time deliver to Lessor or file for record a release of this lease as to any part or all of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered.

80. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. All the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their heirs, successors, assigns and successors in title.

81. Lessor hereby warrants and agrees to defend the title to the land herein described, and agrees that Lessee at its option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the above described lands. If Lessee exercises such option, it shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or other payments then or thereafter accruing to Lessor. If Lessor owns less than the full mineral estate in all or any part of the land described herein, the royalties and rentals provided for herein shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided mineral estate in such land.

82. All express or implied covenants of this lease shall be subject to all Federal and State laws, executive orders, rules or regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation.

83. Lessor hereby agrees that during the primary term hereof, should Lessor receive a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the above described land, Lessee shall have the prior and preferential right to purchase such lease from Lessor by matching such bona fide offer within fifteen days after Lessee receives from Lessor a true copy of such offer.

84. Lessee may at any time and from time to time deliver to Lessor or file for record a release of this lease as to any part or all of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered.

85. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. All the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their heirs, successors, assigns and successors in title.

86. Lessor hereby warrants and agrees to defend the title to the land herein described, and agrees that Lessee at its option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the above described lands. If Lessee exercises such option, it shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or other payments then or thereafter accruing to Lessor. If Lessor owns less than the full mineral estate in all or any part of the land described herein, the royalties and rentals provided for herein shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided mineral estate in such land.

87. All express or implied covenants of this lease shall be subject to all Federal and State laws, executive orders, rules or regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation.

88. Lessor hereby agrees that during the primary term hereof, should Lessor receive a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the above described land, Lessee shall have the prior and preferential right to purchase such lease from Lessor by matching such bona fide offer within fifteen days after Lessee receives from Lessor a true copy of such offer.

89. Lessee may at any time and from time to time deliver to Lessor or file for record a release of this lease as to any part or all of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered.

90. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. All the provisions of this lease shall inure to the benefit of and be binding upon the parties hereto, their heirs, successors, assigns and successors in title.

91. Lessor hereby warrants and agrees to defend the title to the land herein described, and agrees that Lessee at its option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the above described lands. If Lessee exercises such option, it shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or other payments then or thereafter accruing to Lessor. If Lessor owns less than the full mineral estate in all or any part of the land described herein, the royalties and rentals provided for herein shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided mineral estate in such land.

92. All express or implied covenants of this lease shall be subject to all Federal and State laws, executive orders, rules or regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation.

93. Lessor hereby agrees that during the primary term hereof, should Lessor receive a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the above described land, Lessee shall have the prior and preferential right to purchase such lease from Lessor by matching such bona fide offer within fifteen days after Lessee receives from Lessor a true copy of such offer.

94. Lessee may at any time and from time to time deliver to Lessor or file for record a release of this lease as to any part or all of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered.

95. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding up

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OIL, GAS AND MINERAL LEASE BOOK 32 PAGE 578

9. The breach by Lessee of any obligation hereunder shall not work a forfeiture or termination of this lease nor be cause for cancellation hereof in whole or in part, save as herein expressly provided. If the obligation should require the drilling of a well or wells, Lessee shall have ninety (90) days after the receipt of written notice by Lessor from Lessor specifically stating the breach allowed to Lessee within which to begin operations for the drilling of any such well or wells, and the only penalty for failure so to do shall be the termination of this lease save as to forty (40) acres for each well being worked on or producing oil or gas, to be selected by Lessee so that each forty (40) acre tract will embrace one such well. After the discovery of oil, gas or other mineral in paying quantities on said premises, Lessee shall reasonably develop the acreage retained hereunder and capable of producing oil, gas or other mineral in paying quantities, but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil, gas or other mineral in paying quantities.

10. Lessor hereby warrants and agrees to defend the title to the said land and agrees that Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgage, taxes or other liens on the above described lands, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof and may reimburse itself out of any royalties or shut-in royalties payable to Lessor hereunder. If Lessor owns an interest in said land less than the entire fee simple estate, then the royalties and rentals to be paid Lessor shall be reduced proportionately. Failure of Lessee to reduce rental paid hereunder shall not impair the right of Lessee to reduce royalties.

11. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, or any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

12. The undersigned Lessor, for himself and his heirs, successors and assigns, hereby surrenders and releases all rights of homestead in the premises herein described, in so far as said rights of homestead may in any way affect the purpose for which this lease is made as recited herein, and agrees that the annual drilling deferment rental payments made to Lessor as herein provided will fully protect this lease as to the full interests of the undersigned.

In WITNESS WHEREOF, this instrument is signed, sealed and delivered on the date first above written.

WITNESS:

STATE MINERAL LEASE COMMISSION (SEAL)

BY _____ (SEAL)

CLIFF FINCH, Governor and (SEAL)

Ex Officio Chairman (SEAL)

BY _____ (SEAL)

A. F. SUMMER, Attorney General and

Ex Officio Secretary

STATE OF MISSISSIPPI

COUNTY OF HINDS

BE IT REMEMBERED, that on this day came and appeared before me, the undersigned authority in and for the jurisdiction aforesaid, and while within my official jurisdiction, the within named CLIFF FINCH and A. F. SUMMER, personally known to me to be the Governor of the State of Mississippi and Ex Officio Chairman of the State Mineral Lease Commission, and the Attorney General of the State of Mississippi and Ex Officio Secretary of the State Mineral Lease Commission, respectively, who acknowledged before me that they signed, sealed and delivered the foregoing Oil, Gas and Mineral Lease as the act and deed of said Commission for and on behalf of the State of Mississippi, on the date and for the purposes therein stated, first being duly authorized so to do.

GIVEN under my hand and official seal of office, this the 26th day of August, 1977

Mrs. J. J. Langford

NOTARY PUBLIC

My Commission Expires:

My Commission Expires Sept. 15, 1978.

STATE OF MISSISSIPPI,
COUNTY OF HANCOCK

I, JOHN D. RUTHERFORD, JR., Clerk of the Chancery Court of said County, hereby certify that the foregoing instrument of writing was filed in my office for record on the 6 day of October, 1977, at 11:46 o'clock A. M., and duly recorded in Oil and Gas Lease Record Book No. 92, Page No. 577-578

WITNESS my hand and seal of said Court, this 14 day of October, 1977.

JOHN D. RUTHERFORD, JR., Chancery Clerk

By _____ D. C.

Oil, Gas a

By _____ 4.50

Prepare it for

No.

Dated

No. Acres

Term

This instrument was fi

day of

Book

of the

Page

When

02-04-0909

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02-04-0909

C-38

Producers 88-P3001 (Revised Oct. 1, 1968) With Pooling Provision.

OIL, GAS AND MINERAL LEASE

BOOK 32 PAGE 57[illegible]

THIS AGREEMENT made this 19th day of August 19 77 between STATE MINERAL LEASE COMMISSION, for and on behalf of the STATE OF MISSISSIPPI

P. O. Box 220, Jackson, Mississippi 39205

Lessor (whether one or more) whose address is: and SAGA PETROLEUM U.S. INC., 2000 West Loop South, Houston, Texas 77027 Lessee, WITNESSETH:

1. Lessor in consideration of ----Two Hundred Forty Thousand Five Hundred Twenty-two and 73/100---- Dollars ($ 240,522.73 in hand paid, of the royalties herein provided, and of the agreement of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in Hancock County, Mississippi, to-wit:

All State-owned lands subject to the ebb and flow of the tide and which are below the watermark of ordinary (mean) high tide (both tidelands and submerged lands) in the following claims and/or sections, or portions thereof, estimated to comprise 575.73 acres:

18.00

TOWNSHIP 8 SOUTH, RANGE 14 WEST

Tract 3: Sections 9, 10 and Noel Jourdan Claim 31 . . . 575.73 acres

It is understood that this lease will cover only oil and gas and all constituent products produced therewith (both hydrocarbon and non-hydrocarbon), and sulphur and that the words "all other minerals" are deleted wherever they appear in this lease form. Paragraph 3 of this lease is hereby amended to read one-fourth (1/4th) royalty on oil and gas and all constituent products produced therewith (both hydrocarbon and non-hydrocarbon); further the royalty for sulphur shall be $2.00 per long ton.

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said section or sections, grant or grants, or in adjacent sections or grants, although not included within the boundaries of the land particularly described above. For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 575.73 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of (3) three from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land or lands with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase, in either case such interest to bear its proportion of any expense of treating unmerchantable oil to render it merchantable as crude; (b) on gas, including casinghead gas or other gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; where gas from a gas well is not sold or used, Lessee may pay as royalty $100.00 per well per year and if such payment is made it will be considered that gas is being produced within the meaning of Paragraph 2 hereof; and (c) on all other minerals mined and marketed, one-tenth either in kind or value at the well or mine, at Lessee's election, except that on sulphur mined and marketed, the royalty shall be fifty cents ($0.50) per long ton. Lessee shall have free use of oil, gas, coal, wood and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after deducting any so used. Lessor shall have the privilege at his risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon out of any surplus gas not needed for operations hereunder.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said premises in compliance with any lawful spacing rules which may be prescribed for the field in which this lease is situated by any duly authorized authority, or when to do so would, in the judgment of Lessee, promote the conservation of the oil and gas in and under and that may be produced from said premises. Lessee shall execute in writing an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, Lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

5. If operations for drilling are not commenced on said land or on acreage pooled therewith as above provided on or before one year from this date the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of State Mineral Lease Commission, Attorney General, P.O. Box 220, Jackson 39205 Mississippi at ____ Bank at ____ Mississippi, in ____ (which bank and its successors are Lessor's agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the rentals) the sum of ----Five Hundred Seventy-Five and 73/100---------- Dollars ($ 575.73), (herein called rentals), which shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental may be made by the check or draft of Lessee mailed or delivered to Lessor or to said bank on or before such date of payment. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payment or tender of rental until thirty (30) days after Lessor shall deliver to Lessee a proper recordable instrument, naming another bank as agent to receive such payments or tenders. The down cash payment is consideration for this lease according to its terms and shall not be allocated as more rental for a period. Lessee may at any time or times execute and deliver to Lessor or to the depository above named or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portions or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

6. If prior to discovery of oil, gas or other mineral on said land or on acreage pooled therewith Lessee should drill a dry hole or holes thereon, or if after discovery of oil, gas or other mineral, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within 60 days thereafter or if it be within the primary term, commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of 60 days from date of cessation of any such operations. If at any time subsequent to sixty (60) days prior to the beginning of the last year of the primary term and prior to the discovery of oil, gas or other mineral on said land, or on acreage pooled therewith, Lessee should drill a dry hole thereon, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If at the expiration of the primary term, oil, gas or other mineral is not being produced on said land, or on acreage pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or shall have completed a dry hole thereon within sixty (60) days prior to the end of the primary term, the lease shall remain in force so long as operations are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or acreage pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on an adjacent land and within one hundred fifty (150) feet of and draining the leased premises, or acreage pooled therewith, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

7. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent. Lessee shall be responsible for all damages caused by Lessee's operations hereunder other than damages necessarily caused by the exercise of the rights herein granted.

8. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns; but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. In the event of the death of any person entitled to rentals hereunder, Lessor may pay or tender such rentals to the credit of the deceased or the estate of the deceased until such time as Lessee is furnished with proper evidence of the appointment and qualifications of an executor or administrator of the estate, or if there be none, then until Lessee is furnished with evidence satisfactory to it as to the heirs or devisees of the deceased and that all debts of the estate have been paid. If at any time two or more persons be entitled to participate in the rental payable hereunder, Lessee may pay or tender said rental jointly to such persons or to their guardian or conservator, or, at Lessee's election, the proportionate part of said rental to which each participant is entitled may be paid or tendered to him separately or to his separate credit in said depository; and payment or tender to any participant of his portion of the rentals hereunder shall maintain this lease as to such participant. In event of assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportionable as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. If any two or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

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IN EVIDENCE

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9. This breach by Lessee of any obligation hereunder shall not work a forfeiture or termination of this lease nor be cause for cancellation hereof in whole or in part save as herein expressly provided. If the obligation should require the drilling of a well or wells, Lessee shall have ninety (90) days after the receipt of written notice by Lessor from Lessor specifically stating the breach alleged by Lessee within which to begin operations for the drilling of any such well or wells; and the only penalty for failure so to do shall be the termination of this lease save as to forty (40) acres for each well being worked on or producing oil or gas, to be selected by Lessee so that each forty (40) acre tract will embrace one such well. After the discovery of oil, gas or other mineral in paying quantities on said premises, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil, gas or other mineral in paying quantities.

12. Lessee hereby warrants and agrees to defend the title to said land and agrees that Lessor at its option, may discharge any tax, mortgage or other lien upon said land, either existing or hereafter levied or asserted, and may reimburse itself out of any royalty or shut-in royalty payments due or that may become due hereunder. If Lessor owns an interest in said land less than the entire fee simple estate, then the royalties and rentals to be paid Lessor shall be reduced proportionately. Failure of Lessee to receive rental paid hereunder shall not impair the right of Lessor to receive royalties.

13. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, or any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

15. The undersigned Lessor, for himself and his heirs, successors and assigns, hereby surrenders and releases all rights of homestead in the premises described herein so far as said rights of homestead may in any way affect the purposes for which this lease is made as recited herein, and agrees that the annual drilling deferment rental payments made to Lessor as herein provided will fully protect this lease as to the full interests of the undersigned.

In WITNESS WHEREOF, this instrument is signed, sealed and delivered on the date first above written.

WITNESSES:

STATE MINERAL LEASE COMMISSION (SEAL)

(SEAL)

BY Cliff Finch (SEAL)

CLIFF FINCH, Governor and
Ex Officio Chairman (SEAL)

(SEAL)

BY A. F. Summer (SEAL)

A. F. SUMMER, Attorney General and
Ex Officio Secretary

STATE OF MISSISSIPPI
COUNTY OF HINDS

Personally appeared before me, the undersigned authority in and for the jurisdiction aforesaid, and while within my official jurisdiction, the within named CLIFF FINCH and A. F. SUMMER, personally known to me to be the Governor of the State of Mississippi and Ex Officio Chairman of the State Mineral Lease Commission, and the Attorney General of the State of Mississippi and Ex Officio Secretary of the State Mineral Lease Commission, respectively, who acknowledged before me that they signed, sealed and delivered the foregoing Oil, Gas and Mineral Lease as the act and deed of said Commission for and on behalf of the State of Mississippi, on the date and for the purposes therein stated, first being duly authorized so to do.

GIVEN under my hand and official seal of office, this the 26th day of August, 1977.

Myra J. J. Langford
NOTARY PUBLIC

My Commission Expires:

My Commission Expires Sept. 15, 1979

Sworn to and subscribed before me, this the _____ day of _____, 19__.

STATE OF MISSISSIPPI,
COUNTY OF HANCOCK

I, JOHN D. RUTHERFORD, JR., Clerk of the Chancery Court of said County, hereby certify that the foregoing instrument of writing was filed in my office for record on the 14 day of October, 1977, at 11:47 o'clock A. M., and duly recorded in Oil and Gas Lease Record Book No. 32, Page No. 579-580

WITNESS my hand and seal of said Court, this 14 day of October, 1977.

JOHN D. RUTHERFORD, JR., Chancery Clerk

By Pamela Rivenbark, D. C.

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OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made this 19th day of August 19 77 between STATE MINERAL LEASE COMMISSION, for and on behalf of the STATE OF MISSISSIPPI

Lessor (whether one or more) whose address is P. O. Box 220, Jackson, Mississippi 39205 and SAGA PETROLEUM U.S. INC., 2000 West Loop South, Houston, Texas 77027 Lessee, WITNESSETH:

1. Lessor in consideration of Two Hundred Thirty-Nine Thousand Two Hundred Two and 52/100- Dollars ($ 239,202.52), to hand paid, of the royalties herein provided, and of the agreement of Lessee herein contained, hereby grants, leases and conveys exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in Hancock County, Mississippi, to-wit:

All State-owned lands subject to the ebb and flow of the tide and which are below the watermark of ordinary (mean) high tide (both tidelands and submerged lands) in the following claims and/or sections, or portions thereof, estimated to comprise 568.15 acres:

18.00

TOWNSHIP 8 SOUTH, RANGE 14 WEST

Tract 1: Sections 3, 4 and part of John J. Jourdan Claim 23 (said claim being also Section 23), which lies North of a line connecting the North line of Section 8 and the North line of Noel Jourdan Claim 28 (said claim being also Section 24). 568.15 acres

It is understood that this lease will cover only oil and gas and all constituent products produced therewith (both hydrocarbon and non-hydrocarbon), and sulphur and that the words "all other minerals" are deleted wherever they appear in this lease form. Paragraph 3 of this lease is hereby amended to read one-fourth (1/4th) royalty on oil and gas and all constituent products produced therewith (both hydrocarbon and non-hydrocarbon); further the royalty for sulphur shall be $2.00 per long ton.

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said section or sections, grant or grants, or in adjacent sections or grants, although not included within the boundaries of the land particularly described above. For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 568.15 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of Three (3) years from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land or lands with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase, in either case such interest to bear its proportion of any expense of treating unmerchantable oil to render it merchantable as crude; (b) on gas, including casinghead gas or other gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value at the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; where gas from a gas well is not sold or used, Lessee may pay as royalty $100.00 per well per year and if such payment is made it will be considered that gas is being produced within the meaning of Paragraph 2 hereof; and (c) on all other minerals mined and marketed, one-tenth either in kind or value at the well or mine, at Lessee's election, except that on sulphur mined and marketed, the royalty shall be fifty cents (50¢) per long ton. Lessee shall have free use of oil, gas, coal, wood and water from said land, except water from Lessee's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after deducting any so used. Lessor shall have the privilege at his risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon out of any portion not needed for operations hereunder.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said premises in compliance with any lawful spacing rule which may be prescribed for the field in which this lease is situated by any duly authorized authority, or when to do so would, in the judgment of Lessee, promote the conservation of the oil and gas in and under and that may be produced from said premises. Lessee shall execute in writing an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is had from this lease, whether the well or wells be located on the premises covered by this lease or on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, Lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

5. If operations for drilling are not commenced on said land or on acreage pooled therewith as above provided on or before one year from this date the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor in State Mineral Lease Commission, Attorney General, P. O. Box 220, Jackson, Mississippi, 39205 (which bank and its successors are Lessor's agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the rentals) the sum of --Five Hundred Sixty-Eight and 15/100-- Dollars ($ 568.15), (herein called rentals), which shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental may be made by the check or draft of Lessee mailed or delivered to Lessor or to said bank on or before each date of payment. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payment or tender of rental until thirty (30) days after Lessor shall deliver to Lessee a proper recordable instrument, naming another bank as agent to receive such payments or tenders. The down cash payment is consideration for this lease according to its terms and shall not be allocated as mere rental for a period. Lessee may at any time or times execute and deliver to Lessor or to the depository above named or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portions or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

6. If prior to discovery of oil, gas or other mineral on said land or on acreage pooled therewith Lessee should drill a dry hole or holes thereon, or if after discovery of oil, gas or other mineral, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within 60 days thereafter or if it be within the primary term, commences or resumes the payment or tender of rentals on or before the expiration of 60 days from date of such cessation of production. If at any time subsequent to sixty (60) days prior to the beginning of the last year of the primary term and prior to the discovery of oil, gas or other mineral on said land, or on acreage pooled therewith, Lessee should drill a dry hole thereon, no rental payments or operations are necessary in order to keep the lease in force during the remainder of the primary term. If at the expiration of the primary term, oil, gas or other mineral is not being produced on said land, or on acreage pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon or shall have completed a dry hole thereon within sixty (60) days prior to the end of the primary term, the lease shall remain in force so long as operations are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land or acreage pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within one hundred fifty (150) feet of and draining the leased premises, or acreage pooled therewith, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

7. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessee's consent. Lessee shall be responsible for all damages caused by Lessee's operations hereunder, and shall not commit or cause waste on said land without Lessee's consent. Lessee shall be responsible for all damages caused by Lessee's operations hereunder, and shall not commit or cause waste on said land without Lessee's consent.

8. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns; but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. In the event of the death of any person entitled to rentals hereunder, Lessee may pay or tender such rentals to the credit of the deceased or the estate of the deceased until such time as Lessee is furnished with proper evidence of the appointment and qualifications of an executor or administrator of the estate, or if there be none, then until Lessee is furnished with evidence satisfactory to it as to the heirs or devisees of the deceased, and that all debts of the estate have been paid. If at any time two or more persons are entitled to receive the rentals hereunder, Lessee may pay or tender such rentals jointly to such persons or to their joint credit in the depository named herein, or, at Lessee's election, to the persons entitled thereto separately in the proportions to which each is entitled, or to his separate credit in said depository; and payment or tender to any one of such persons or to such depository shall be effective. In the event of assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. If six or more parties become entitled to receive rentals hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

EXHIBIT # C-39
IN EVIDENCE

BEST AVAILABLE COPY

9. The breach by Lessee of any obligation hereunder shall not work a forfeiture or termination of this lease nor be cause for cancellation hereof in whole or in part save as herein expressly provided. If the obligation should require the drilling of a well or wells, Lessee shall have ninety (90) days after the receipt of written notice by Lessor from Lessee specifically stating the breach alleged by Lessee within which to begin operations for the drilling of any such well or wells; and the only penalty for failure so to do shall be the termination of this lease save as to forty (40) acres for each well being worked on or producing oil or gas, to be selected by Lessee so that each forty (40) acre tract will embrace one such well. After the discovery of oil, gas or other mineral in paying quantities on said premises, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil, gas or other mineral in paying quantities.

10. Lessee hereby warrants and agrees to defend the title to said land and agrees that Lessor at its option may discharge any tax, mortgage or other lien upon said land, either now existing or hereafter arising in the event Lessee fails to do so, and in event Lessor does so it shall be subrogated to such lien with right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in said land less than the entire fee simple estate, then the royalties and rentals to be paid Lessor shall be reduced proportionately. Failure of Lessee to reduce rental paid hereunder shall not impair the right of Lessee to reduce royalties.

11. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, or any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is so prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

12. The undersigned Lessor, for himself and his heirs, successors and assigns, hereby surrenders and releases all rights of homestead in the premises herein described, in so far as said rights of homestead may in any way affect the purposes for which this lease is made as recited herein, and agrees that the annual drilling deferment rental payments made to Lessor as herein provided will fully protect this lease as to the full interests of the undersigned.

In WITNESS WHEREOF, this instrument is signed, sealed and delivered on the date first above written.

WITNESS:

STATE MINERAL LEASE COMMISSION

(SEAL)

BY Cliff Finch (SEAL)

CLIFF FINCH, Governor and
Ex Officio Chairman (SEAL)

(SEAL)

BY A. F. Summer (SEAL)

A. F. SUMMER, Attorney General
and Ex Officio Secretary

STATE OF MISSISSIPPI
COUNTY OF HINDS

Personally appeared before me, the undersigned authority in and for the jurisdiction aforesaid, and while within my official jurisdiction, the within named CLIFF FINCH and A. F. SUMMER, personally known to me to be the Governor of the State of Mississippi and Ex Officio Chairman of the State Mineral Lease Commission, and the Attorney General of the State of Mississippi and Ex Officio Secretary of the State Mineral Lease Commission, respectively, who acknowledged before me that they signed, sealed and delivered the foregoing Oil, Gas and Mineral Lease as the act and deed of said Commission for and on behalf of the State of Mississippi, on the date and for the purposes therein stated, first being duly authorized so to do.

GIVEN under my hand and official seal of office, this the 26th day of August, 1977.

Mrs. J. J. Langford
NOTARY PUBLIC

My Commission Expires:

My Commission Expires Sept. 15, 1979

My commission expires:

STATE OF MISSISSIPPI,
COUNTY OF HANCOCK

I, JOHN D. RUTHERFORD, JR., Clerk of the Chancery Court of said County, hereby certify that the foregoing instrument of writing was filed in my office for record on the 6 day of October, 1977, at 11:45 o'clock A. M., and duly recorded in Oil and Gas Lease Record Book No. 92, Page No. 575-576

WITNESS my hand and seal of said Court, this _____ day of October, 1977.

JOHN D. RUTHERFORD, JR., Chancery Clerk

By Pamela Davenport D.C.